

# 2017 ANNUAL REPORT



**DIGITALX LIMITED**

A.B.N. 59 009 575 035

**FOR THE YEAR ENDED 30 JUNE 2017**

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### **Directors**

Leigh Travers  
*Managing Director and  
Chief Executive Officer*

Toby Hicks  
*Acting Non-Executive Chairman*

Peter Rubinstein  
*Non-Executive Director*

Sam Lee  
*Non-Executive Director*

Faisal Khan  
*Non-Executive Director*

### **Company Secretary**

Shannon Coates

### **ABN**

59 009 575 035

### **Registered Office and Principal Place of Business**

Suite 5, 62 Ord Street  
West Perth WA 6005  
Tel: +61 (8) 9322 1587  
Fax: +61 (8) 9322 5230

### **Auditor**

Grant Thornton Audit Pty Ltd  
Level 1, 10 Kings Park Road  
WEST PERTH WA 6005  
Tel: +61 (8) 9480 2000  
Fax +61 (8) 9322 7787

### **Stock Exchange Listing**

DigitalX Limited shares are listed on the  
Australian Securities Exchange.  
ASX Code: DCC

### **Share Registry**

Computershare Investor Services Pty Limited  
Level 11, 172 St Georges Terrace  
Perth WA 6000

GPO Box D182  
Perth WA 6840

Telephone: +61 (8) 9323 2000

Facsimile: +61 (8) 9323 2096

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**Website**    [www.digitalx.com](http://www.digitalx.com)

Dear Fellow Shareholders,

As with the commercial implementation of any new technology, the past year has been an eventful year for a Company at the forefront of the disruption. My tenure as CEO commenced in November 2016 with a clear focus on completing and launching our AirPocket product, reducing costs and securing a strategic investor. I have been committed to bringing financial health to DigitalX and in building the Company's credibility in our industry and financial markets. While the past year has brought with it significant challenges, I am proud to say we have confronted these head on and largely succeeded in surmounting them. In addition to a replacement of all the founding directors and a slashing of operational costs, DigitalX has been able to launch AirPocket, the world's first Blockchain-enhanced money transfer application and secure cornerstone support from one of the largest players in our industry.

DigitalX is now in a very strong position, with significant funding and a wealth of opportunities ahead. While the Company's key focus in the previous financial year was on the development and launch of AirPocket, the Company is pleased to have now diversified its offering into providing Blockchain consulting services and Initial Coin Offering advisory services to leverage the experience and expertise of the experienced team at DigitalX.

### **Operational Overview**

The major operational highlights over the year centred on the management restructure, the launch of AirPocket and the cornerstone investment from Blockchain Global Ltd.

On 8 March 2017, the AirPocket money transfer App went live on the US Google Play Store followed swiftly by availability on the iOS App Store. The launch of AirPocket, as the first Blockchain-enhanced money transfer Application in the world marked a significant milestone for DigitalX and the in house Blockchain development team. AirPocket is currently available to service US customers with the ability to send Airtime and money transfers to 13 countries.

AirPocket's remittance service is built around its highly secure and scalable cloud-based API which can integrate with any payment processor or banking network. While significant transaction activity has alluded the Company to date, the innovative use of Blockchain technology as a record of "Know Your Client" and transaction activity and the interoperability of AirPocket gives management confidence in the future commerciality of the product. DigitalX received external validation in the potential of the product when in June 2017, AirPocket received an award at the Remittance Technology Awards held at the United Nations in New York in the category of Social Inclusion.

While the Board faced some major challenges during the financial year around legacy issues from the restructure, the strict enforcement of the cost reduction measures saved the Company around \$2m annually. Pleasingly, the action taken by the Board and the industry knowledge and expertise of key management enabled the Company to become an attractive opportunity for a strategic or cornerstone investor. On 7 June 2017, the Company announced that it entered into a conditional subscription agreement and converting loan agreement with Blockchain Global Limited, an Australian incorporated company operating in the Bitcoin and Blockchain space, to invest approximately \$4.35m at 2.7 cents per share to acquire an interest of up to approximately 40% of DigitalX on a fully diluted basis. The price of the investment was made at a 28.5% premium to the VWAP of DigitalX's shares over the last 5 days in which shares were traded prior to the date of this announcement. The transaction closed after the end of the financial year.

## Outlook

While the last financial year was challenging, the outlook for DigitalX in our marketplace is exciting. The Company is now fully funded through the cornerstone investment led by Blockchain Global and positioned as a leader in the industry. The focus for the Company this financial year is on leveraging the experience and expertise of the team and generating revenue. DigitalX is seeking to monetise our money transfer App, AirPocket, secure Blockchain development work with corporate Australia and advise companies within the cryptocurrency and Initial Coin Offering marketplace. With the market for our core offering truly flourishing, I am confident in delivering an exceptional year for our Shareholders.

Sincerely,

A handwritten signature in black ink, appearing to read 'LTD', followed by a large, sweeping flourish that extends to the right.

Leigh Travers  
Managing Director and CEO

Your Directors present their report together with the financial report on the consolidated entity (referred to hereafter as the **Group** or **Consolidated entity**) consisting of DigitalX Limited (**DigitalX** or the **Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2017. Information contained within this report and the financial report is presented in United States dollars (US\$).

## Directors

The following persons were Directors of DigitalX Limited during the financial year and up to the date of this report:

**Mr Leigh Travers**, *CEO/Managing Director*  
Appointed 24 July 2016

Leigh Travers has enjoyed a decade of building relationships in financial and technology markets through his experience with Fintech and Investment Advisory companies. He is a current Director and Vice Chairman of the ADCA, the representative body for digital commerce businesses in Australia.

Mr Travers previously worked for seven years at Australian wealth management firm Euroz Securities as an Investment Advisor. His clients included high net worth, institutions and listed companies as he provided trading advice and assisted with company buybacks and sell downs and capital raising services.

Mr Travers holds a Bachelor of Commerce and Communications from the University of Western Australia and has completed a Fintech Certification from the Massachusetts Institute of Technology.

Mr Travers is not and has not been a director of any other ASX listed company for the previous three years.

### *Interests in shares and options held as at the date of the report*

1,311,111 Fully Paid Ordinary Shares

250,000 Unlisted Options exercisable at \$0.08 each expiring 10 February 2018

**Mr Toby Hicks**, *Independent Acting Non-Executive Chairman*  
Appointed 28 July 2016

Mr Hicks is a Partner of Steinepreis Paganin Lawyers & Consultants with over 15 years' experience advising companies, both public and private, on matters relating to corporate governance, capital raisings and mergers and acquisitions, as well as general commercial and strategic legal advice. He acts for a number of ASX listed companies.

In addition to his legal practice, Mr Hicks has served on the Board of Governors of the University of Notre Dame Australia for 14 years and is a member of the University's Finance, Audit and Risk Committee and the Fremantle Law School Advisory Board.

Mr Hicks holds a Bachelor of Business (Management) and a Bachelor of Laws from the University of Notre Dame Australia as well as a Graduate Diploma in Company Secretarial Practice from Chartered Secretaries Australia (now the Governance Institute). He is also a Chartered Secretary.

Mr Hicks is not and has not been a director of any other ASX listed company for the previous three years.

### *Interests in shares and options held as at the date of the report*

300,000 Fully Paid Ordinary Shares

150,000 Unlisted Options exercisable at \$0.08 each expiring 10 February 2018

**Peter Rubinstein**, *Non-Executive Director*  
Appointed 15 September 2017

Mr Peter Rubinstein has over 20 years' experience in early stage technology commercialisation through to public listings on the ASX. He is a lawyer by training, having worked at one of the large national firms prior to moving in house at Montech, the commercial arm of Monash University. Mr Rubinstein has had significant exposure to the creation, launch and management of a diverse range of technology companies including in biotech, digital payments and renewable energy. Peter is also Chairman of EasyPark ANZ an early adopter in the "Smart City" opportunities for digital parking.

*Interests in shares and options held as at the date of the report*

27 Convertible Notes with a face value of \$10,000 each, converting to fully paid ordinary Shares at \$0.027 per Share and maturing on 14 September 2018  
17,700,000 Unlisted Options exercisable at \$0.0324 each expiring on 14 September 2019  
617,284 Unlisted Options exercisable at \$0.324 each expiring on 1 September 2020

**Mr Xue Samuel (“Sam”) Lee, Non-Executive Director**

Appointed 15 September 2017

Mr Sam Lee is the founder and CEO of Blockchain Global Ltd. Blockchain Global is a profitable Blockchain technology company with offices in Melbourne, New York, Kobe, Shanghai and Dalian. Since incorporation, Blockchain Global has, through its corporate accelerator program, made over 50 investments in companies leveraging Blockchain technology. Mr Lee is a frequent interviewee on CNBC, BBC and Sky News and a panellist at the World Economic Forum, as well as at numerous Blockchain summits.

*Interests in shares and options held as at the date of the report*

3,611,111 Fully Paid Ordinary Shares  
1,203,704 Unlisted Options exercisable at \$0.0324 each expiring on 8 September 2020  
14 Convertible Notes with a face value of \$10,000 each, converting to fully paid ordinary Shares at \$0.027 per Share and maturing on 8 September 2018  
1,400,000 Unlisted Options exercisable at \$0.0324 each expiring on 8 September 2019

**Mr Faisal Khan, Independent Non-Executive Director**

Appointed 6 October 2016

Mr Khan is responsible for providing strategic advice to the Company on cross-border money transfer and fast evolving value chain associated with mobile payments.

Mr Khan is a recognised global expert on remittance, banking, payments and FinTech. He is the owner of Faisal Khan & Company, a leading payments consultancy to Fortune 100 companies across the banking, FinTech and money transfer sectors. The firm provides advisory services in areas including architecture of cross-border payment networks, products and solutions, product/idea validation and cross-border transactions in the P2P, B2C and B2B space.

*No interests in shares and options held as at the date of the report*

**Mr Alex Karis, CEO/Managing Director**

Appointed 5 June 2014, Resigned 23 December 2016

During his time as CEO, Mr Karis successfully launched the Company's flagship product DigitalX Direct, which generated sales revenues of nearly US\$17 million in less than one year since launch. Mr Karis is an innovator in the FinTech sector and drove the initial development of AirPocket.

Mr Karis was formerly the President and founder of “KMG”- Karis Marketing Group, one of the leading US marketing companies, providing offline and online marketing support services to major US Telecom carriers. KMG also provides political consulting and polling services within the United States. Mr Karis started KMG late in 2001 and has over 12 years' experience in the retail marketing and telemarketing. KMG was one of the Inc. 500 fastest growing private companies in 2014

Mr Karis holds a bachelor degree in Fine Arts from The University of Massachusetts Amherst. At the time of his resignation, Mr Karis had not been a director of any other ASX listed company for the previous three years.

Shareholding disclosure is not required as Mr Karis is no longer a director of DigitalX Ltd.

**Mr William Brindise**, *Executive Director and Chief Trading Officer*

Appointed 5 June 2014, Resigned 1 December 2016

Mr Brindise was responsible for managing the financial risks and position of the Company. He oversaw the liquidity desk operations of DigitalX's leading Bitcoin trading platform DigitalX Direct and played a key role in its successful launch and initial growth. His digital trading and commodities trading expertise made him the ideal candidate to manage the FX and currency risk for AirPocket.

Mr Brindise spent over 15 years trading energy, metal and grain options and futures. He began his career on the NYMEX working for ZAR trading and after a few years started his own trading/brokerage company, BAK. After 4 successful years he moved off the floor when NYMEX trading became digital and took a job working for the hedge fund SHK Management.

He holds a bachelor degree in Business and Finance from Boston University. At the time of his resignation, Mr Brindise is not and has not been a director of any other ASX listed company for the previous three years.

Shareholding disclosure is not required as Mr Brindise is no longer a director of DigitalX Ltd.

**Mr Eugeni 'Zhenya' Tsvetnenko**, *Acting Executive Chairman*

Appointed 5 June 2014, Resigned 24 July 2016

Mr Tsvetnenko was the founding director and majority shareholder of DigitalX Limited. He has over 8 years' experience in mobile messaging services including data, music, games, and news. He is a highly successful entrepreneur and is also the founder of Mpire Media Pty Ltd, a privately held global multimedia and online advertising company servicing international clientele.

Mr Tsvetnenko was awarded the prestigious Ernst & Young, Entrepreneur of the Year 2010 young category and the Western Australian Business News 40 under 40 awards 2011.

During the three years prior to his resignation, Mr Tsvetnenko held directorship in the following ASX listed company:

Tech Empire Limited (29 June 2015 – 25 July 2016)

Shareholding disclosure is not required as Mr Tsvetnenko is no longer a director of DigitalX Ltd.

**Mr Brett Mitchell**, *Non-Executive Director*

Appointed 5 September 2014, Resigned 24 July 2016

Mr Mitchell is a corporate finance executive with over 20 years of experience in the finance and resources industries, and has been involved in the founding, financing and management of both private and publicly-listed resource companies.

Mr Mitchell holds a Bachelor of Economics from the University of Western Australia and is a member of the Australian Institute of Company Directors (AICD) and is involved with the corporate strategy of the business in his role as a Director.

During the three years prior to his resignation, Mr Mitchell held directorships in the following ASX listed companies:

MGC Pharmaceuticals Ltd (2 April 2013 – current)

Sky and Space Global Ltd (12 May 2016 – current)

Acacia Coal Ltd (18 December 2015 – 2 August 2016)

Tamaska Oil and Gas Limited (1 August 2011 – 1 February 2015)

Citation Resources Limited (24 November 2011 – 1 December 2015)

Wildhorse Energy Limited (22 April 2009 – 29 August 2014)

Shareholding disclosure is not required as Mr Mitchell is no longer a director of DigitalX Ltd.



## Company Secretary

Ms Shannon Coates was appointed Company Secretary of DigitalX on 8 December 2016, replacing Mr Rodion Kostrykine. Ms Coates has over 20 years' experience in corporate law and compliance. She is currently named company secretary to a number of public unlisted and listed companies, and has provided company secretarial and corporate and corporate advisory services to boards across a variety of industries, including financial services, manufacturing and technology both in Australia and internationally. Mrs Coates is a qualified lawyer, Chartered Secretary and graduate of the AICD's Company Directors course.

On 12 September 2016, Mr Kostrykine replaced Mrs Rachel Kerr as the Company Secretary. Mr Kostrykine has been with the company for over 3 years' and is the acting Financial Controller. Mr Kostrykine has over 8 year experience in audit and financial reporting and holds a Bachelor of Commerce from Murdoch University, Master of Applied Finance from Monash University, Graduate Diploma of Chartered Accounting from the Institute of Chartered Accountants Australia and New Zealand, and is a member of Chartered Accountants Australia and New Zealand.

Mrs Kerr has 9 years' experience as a Company Secretary on both private and public companies, working on acquisitions, capital raisings, listing of companies on ASX, due diligence reviews and compliance of public companies.

## Principal activities

There were no significant changes in the nature of the Group's principal activities during the year.

## Environmental regulation

The Group is not subject to significant environmental regulation in respect of its operations.

## Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

On 24 July 2016, the acting Executive Chairman, Zhenya Tsvetnenko and Non- Executive Director Brett Mitchell resigned from the Board. Mr Leigh Travers, who was Vice President of Business Development and Investor Relations for DigitalX, joined the Board as an Executive Director.

On 28 July 2016, Toby Hicks was appointed 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.

On 7 September 2016, the Company announced the completion of a capital raising through the issue of 10,580,303 ordinary fully paid shares at AUD\$0.05 per share to raise AUD\$529,015 before costs.

On 30 September 2016, the Company announced that it has entered into an agreement with TransferTo Inc., the world's leading B2B mobile payment network. The agreement will allow consumers around the world using DigitalX's unique money transfer and payment product, AirPocket, to top-up on mobile accounts phone accounts linked by TransferTo's network.

On 13 October 2016, the Company announced that it entered into an agreement with AT&T Comunicaciones Digitales, S, de R.L. de C.V, a subsidiary of AT&T Inc., the world's largest telecommunication company by revenue. The agreement will allow consumers in the Unites States to use DigitalX's mobile bill pay remittance product, AirPocket, to transfer directly in to mobile phone accounts of users on the AT&T Mexican network.

On 28 November 2016, the Company announced that it has entered into an agreement with Servicio UniTeller Inc., allowing the Companies remittance application access to an established network of 17,000 cash out locations in Mexico which includes Walmart, large retailer and all of Mexico's major banks. Uniteller processes over 15% of the US to Latin American Corridor and manages a network of more than 40,000 cash out locations around the world.

On 28 November 2016, the Company announced that co-founders, Chief Executive Office Alex Karis and Chief Trading Officer William Brindise would be stepping down from the Board and relinquishing their executive roles in the Company, with Mr Leigh Travers and the U.S. based President Neel Krishnan to lead the executive team. Mr Brindise resigned from the Board on 1 December 2016 and Mr Karis on 23 December 2016.

On 8 December 2016, The Company has announced the completion of a capital raising through the issue of 31,940,000 ordinary fully paid shares at AUD\$0.05 per share to raise AUD\$1,622,000 (before costs). The Company also issued 840,000 Shares to a consultant in part consideration for the provision of services.

On 13 December 2016, the Company announced the completion of a buy-back of 17,633,839 shares held by entities associated with previous Director, Zhenya Tsvetnenko, for AUD\$0.03 per share.

On 16 January 2017, the Company announced the completion of a Share Purchase Plan raising AUD\$211,600 (before costs) through the issue of 4,232,000 new fully paid ordinary shares at an issue price of AUD\$0.05 per Share. The Share Purchase Plan included an attaching 1 for 2 option exercisable at AUD\$0.08.

On 29 March 2017, the Company announced the completion of an initial funding round for AUD\$300,000 through the issue of convertible notes. The convertible notes were issued for AUD\$10,000 per note, attracting 15% interest per annum and maturing in 12 months, and came with an option to convert into shares at the lower of \$0.05 or the next capital raising price. The note holders also received 100,000 free attaching options, for each convertible note, exercisable at the lower of AUD\$0.06 or a 20% premium to the next capital raising price.

On 12 April 2017, the Company announced completion of further funding through the issue of convertible notes to receive AUD\$300,000. The Convertible notes were issued with the same terms as the notes issued on the 29 March 2017. On 23 May 2017, the Company announced completion of further funding through the issue of Convertible notes to receive AUD\$100,000. The convertible notes were issued with the same terms as the notes issued on the 29 March 2017.

On 7 June 2017, the Company announced that it has entered into a conditional subscription agreement and converting loan agreement with Blockchain Global Limited, an Australian incorporated company operating in the Bitcoin and Blockchain space internationally, to invest AUD\$4.35m at AUD\$0.027 per share to acquire up to a 40% interest in DigitalX on a fully diluted basis.

As part of the agreement, the Company received AUD\$300,000 by way of a convertible loan in Bitcoin. The convertible loan was convertible into shares in DigitalX, subject to the receipt of shareholder approval, and was otherwise is repayable within 12 months from drawdown, with interest of 12% per annum. The remainder of the investment comprised AUD\$550,000 in convertible notes on the same terms as the existing convertible notes, and \$AUD3.8m in shares, with 1 option also being issued for every 3 shares issued, exercisable at AUD\$0.033 per share on or before the date that is three years from the date of issue.

The transaction was conditional on the Company obtaining all requisite shareholder approvals to give effect to the transaction, including approval under Section 611 (item 7) of the Corporations Act and Listing Rule 7.1 approval, with all resolutions relating to the transaction and the ratification of previous issues to be inter conditional. This approval was received post the end of the financial year.

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

### Disclosure of Operations

DigitalX Limited is principally involved in the following activities:

- a) Development of Software for retail based consumer applications
- b) Consulting advice to companies seeking Blockchain expertise and companies considering an Initial Coin Offering (ICO)

Our operations are conducted from our offices in Perth, WA and New York, New York.

## Financial Review

	USD\$
Revenue from discontinued operations and other income	8,041,026
Loss from ordinary activities after tax attributable to members	(3,973,961)
Net loss for the period attributable to members	(3,973,961)

The consolidated loss for the group after providing for income tax amounted to US\$3,973,961 (2016: US\$3,417,305)

The statutory accounting result for the period is a net loss after tax of US\$3.94m. The result was reached as the Company was transitioning from the Bitcoin trading and mining segments into a broader Blockchain based products market.

The trading desk generated revenues of \$8m over the year and a net loss of \$0.4m. With the focus of the Company towards the development of Blockchain based products, DigitalX wound down its trading operations towards the end of the first half of the financial year, securing a buyer for its platform, which was operated under a profit sharing agreement. *Note that due to Bitcoin trading segment being considered as part of Discontinued Operations, it does not contribute to the Revenue line on the Statement of Profit or Loss and Other Comprehensive Income but rather appears in Note 11.*

During the financial year, the AirPocket money transfer App went live on the US Google Play Store and the iOS App Store and marked a significant milestone for DigitalX and the in-house Blockchain development team. AirPocket is currently available to service US customers with the ability to send Airtime and money transfers to 13 countries.

As part of the transition, the Company has undertaken a major cost review and reduction, adhering to which had allowed the Company to save around \$2m in outgoings on annualised terms.

On 7 June 2017, the Company announced that it entered into a conditional subscription agreement and converting loan agreement with Blockchain Global Limited, an Australian incorporated company operating in the Bitcoin and Blockchain space, to invest approximately \$4.35m at 2.7 cents per share to acquire an interest in approximately 40% of DigitalX on a fully diluted basis. The price of the investment was made at a 28.5% premium to the VWAP of DigitalX's shares over the last 5 days in which shares were traded prior to the date of this announcement.

## 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.

## Subsequent events

On 25 August 2017, the Company held a general meeting of shareholders, with all the resolutions proposed being passed, including approval for the acquisition of a relevant interest in the Company by Blockchain Global Limited of up to a 40% equity stake in the Company, on a fully diluted basis, to the value of AUD\$4,355,118. On 15 September 2017, the Company announced that the capital raising approved at the general meeting on 25 August 2017 had been completed, providing the Company with the funding and experienced Blockchain expertise to complete current projects and commence new projects and revenue verticals in the Blockchain ecosystem.

Demonstrating long-term shareholder commitment, Blockchain Global Limited voluntarily escrowed its holding in the Company for a period of 12 months from the date of issue.

On 29 August 2017, the Company had announced that it has been appointed as an advisor to the Bankera Initial Coin Offering. DigitalX will be performing a range of industry specific and traditional corporate advisory services plus additional marketing services to Bankera in return for fees.

On the 31 August 2017, the Company issued the following:

5,644,444 Ordinary shares in part consideration for capital raising services, at an issue price of AUD\$0.027.

2,128,301 Ordinary shares in consideration for previous mandate fees, at an issue price of AUD\$0.027.

74,074,074 Ordinary shares and 24,691,358 free attaching options as part of the 1st trache of the capital raising, to the value of AUD\$2,000,000.

11,111,111 Ordinary shares on conversion of Loan, to the value of AUD\$300,000.

9,629,629 Ordinary shares and 1,200,000 incentive Options on conversion of convertible notes. Value of notes converted is AUD\$260,000.

All transactions have been approved by the shareholders on the 25 August 2017.

On the 1 September 2017, the Company issued the following:

988,867 Ordinary shares in part consideration for capital raising services, at an issue price of AUD\$0.027.

25,370,003 Ordinary shares and 8,456,668 free attaching options as part of the 2nd trache of the capital raising, to the value of AUD\$684,990.

8,888,889 Ordinary shares and 4,800,000 incentive Options on conversion of convertible notes. Value of notes converted is AUD\$24,000.

All transactions have been approved by the shareholders on the 25 August 2017.

4,000,000 Convertible note Options

500,000 Ordinary shares on conversion of Options, converted at AUD\$0.08 each.

On 4 September 2017, the Company had announced that it had signed a joint venture agreement with Stargroup Limited ("Stargroup" ASX:STL) to jointly offer and tailor a "Two-Way ATM" solution for buying and selling Bitcoin.

On 5 September 2017, the Company issued the following:

7,407,407 Ordinary shares and 8,000,000 free attaching options as part of the 3rd trache of the capital raising, to the value of AUD\$200,000.

All transactions have been approved by the shareholders on the 25 August 2017.

On 8 September 2017, the Company issued the following:

30,360,302 Ordinary shares and 10,120,101 free attaching options as part of the 4rd trache of the capital raising, to the value of AUD\$19,728.

2,443,840 Ordinary shares at a deemed issue price of AUD\$0.027

28 Convertible notes with a face value of \$10,000 per note, converting to Fully Paid Ordinary Shares at \$0.0324 per Share and maturing 8 September 2018, and attaching 2,800,000 incentive Convertible note options exercisable at \$0.0324.

All transactions have been approved by the shareholders on the 25 August 2017.

5,700,000 Ordinary shares issued on exercise of Incentive options at an issue price of \$0.0324

On 12 September 2017, the Company issued the following:

370,370 Ordinary shares at a deemed issue price of \$0.027, on conversion of 1 Convertible note, with a face value of AUD\$10,000.

200,000 Convertible note Incentive options.

4,000,000 Ordinary shares on conversion of incentive options at an issue price of \$0.0324.

On 14 September 2017, the Company issued the following:

600,000 Ordinary shares as part of Tranche 6 of the Capital raising, at as issue price of \$0.027, to the value of AUD\$16,200.

36,000,000 Options issued on immediate vesting of 36 Broker Performance Rights with an exercise price of \$0.034 and maturing on the 14 September 2019.

27 Convertible notes with a face value of \$10,000 per note, converting to Fully Paid Ordinary Shares at \$0.0324 per Share and maturing 14 September 2018, and attaching 2,700,000 incentive Convertible note options exercisable at \$0.0324 each on a before 14 September 2019.

All transactions have been approved by the shareholders on the 25 August 2017.

600,000 Ordinary shares on conversion of incentive options at an issue price of \$0.0324.

On 15 September 2017, the Company had announced that the capital raising approved at the general meeting on 25 August 2017 has now been completed.

The completion of the transaction follows the ASX announcement on 7 June 2016 of the investment of AUD\$4.35m by Blockchain Global and nominated investors. Demonstrating long-term shareholder commitment, Blockchain Global will voluntarily escrow its holding in the Company for a period of 12 months from the date of issue.

On 15 September 2017, the Company had announced the appointment of Peter Rubinstein and Sam Lee to the Board of DigitalX as Non-Executive Directors, nominees of Blockchain Global Limited.

On 29 August 2017, the Company announced that it had been appointed as an advisor to the Bankera Initial Coin Offering. DigitalX will be performing a range of industry specific and traditional corporate advisory services plus additional marketing services to Bankera in return for fees.

On 4 September 2017, the Company announced that it had signed a joint venture agreement with Stargroup Limited ("Stargroup" ASX:STL) to jointly offer and tailor a "Two-Way ATM" solution for buying and selling Bitcoin.

On 19 September 2017, the Company had announced that it has been appointed as a corporate advisor to the upcoming Etherparty Initial Coin Offering. As DigitalX continues to execute on its stated aim of being a trusted adviser in the ICO space, it will be providing a range of corporate advisory services to Etherparty to expand the platform's global footprint.

On 22 September 2017, the Company issued the following:

- 1,000,000 Ordinary shares on exercise of incentive options at \$0.0324 expiring 14 September 2019
- 4,000,000 Ordinary shares on exercise of incentive options at \$0.0324 expiring 5 September 2019

In the opinion of the Directors, apart from the disclosures above, there were no other matters or circumstances that have arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations in future financial years, the results of those operations in future financial years or the Group's state of affairs in those future financial years.

### **Future developments**

The Company is seeking to monetise its money transfer App, AirPocket, secure Blockchain development work with corporate Australia and advise companies within the cryptocurrency and Initial Coin Offering marketplace.

## Remuneration Report (audited)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of DigitalX Limited's Directors and its executives for the financial year ended 30 June 2017, under the following main headings:

- Key management personnel
- Remuneration policy
- Relationship between the remuneration policy and company performance
- Key terms of employment contracts
- Remuneration of Directors and executives
- Share based payments granted

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

### (a) Key Management Personnel

The key management personnel of the Group consist of the Board and Executives. This is the case due to the size and scale of the Group's current operations. All the named persons held their current position for the whole or part of the financial year and since the end of the financial year.

#### Directors

- Mr Leigh Travers, *Managing Director and Chief Executive Officer (appointed 24 July 2016)*
- Mr Toby Hicks, *Non-Executive Director (appointed 28 July 2016)*
- Mr Peter Rubenstein, *Non-Executive Director (appointed 15 September 2017)*
- Mr Sam Lee, *Non-Executive Director (appointed 15 September 2017)*
- Mr Faisal Khan, *Non-Executive Director (appointed 6 October 2016)*
- Mr Alex Karis, *Managing Director and Chief Executive Officer (resigned 23 December 2016)*
- Mr William Brindise, *Executive Director and Chief Trading Officer (resigned 1 December 2016)*
- Mr Eugeni 'Zhenya' Tsvetnenko, *Executive Chairman (resigned 24 July 2016)*
- Mr Brett Mitchell, *Non-Executive Director (resigned 24 July 2016)*

#### Executive Officers

- Mr Neel Krishnan – President (appointed 31 August 2016)

### (b) Remuneration policy

The Board as a whole determine and review compensation arrangements for the Executive Directors and where applicable the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality team.

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate to the results delivered. The Board ensures that executive rewards satisfy the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linked
- Transparency
- Capital management.

The Company reviews its executive remuneration framework to ensure that it is market competitive and complimentary to the reward strategy of the organisation.

### Base pay

Directors and executives are offered a competitive base salary and participation in the bonus pool. Base pay for executives is reviewed annually by the Board to ensure that executive's pay is competitive with the market, and is also reviewed upon promotion or additional responsibilities.

There is no guarantee of base pay increases fixed in any executive or Director contracts.

### Commission

There is no entitlement to commissions based remuneration.

### Short term incentives

For the purpose of incentivising and tying the rewarding of the Company's staff to the performance of the Company, the Board has determined to implement a bonus pool from which the Directors, executives and staff may receive additional remuneration.

The bonus pool is determined to total twenty percent (20%) of the net profit after tax of the Group (bonus pool). Before the commencement of each financial year the Board will meet to determine the performance goals applicable for the impending financial year (FY Performance Goal). The criteria ensure reward is only available when value has been created for shareholders. The performance goal for the bonus pool was set by the board at A\$9.1 million EBITDA (Earnings before interest tax, depreciation and amortisation) for the financial year ending 30 June 2017.

If the Group achieves certain levels of the FY Performance Goal a sliding scale applies to the bonus pool availability as follows:

FY performance goal achieved	% of Bonus pool available for payment to Directors and management in accordance with the then/current bonus scheme of the Group and relevant employment contracts
50% or greater	100% of bonus pool
40% to 49.9%	80% of bonus pool
30% to 39.9%	60% of bonus pool
20% to 29.9%	40% of bonus pool
10% to 19.9%	20% of bonus pool
Less than 10%	none

The distribution of the bonus pool is determined by the Board on a discretionary basis based on an executive's and staff's:

- ability to perform individual tasks within the relevant department
- ability to add value and innovate beyond the job standard specification
- development of new and existing industry relationships
- ability to interact with other relevant departments as part of a larger team approach
- relevant industry salary benchmarking
- general requirements to attract and retain staff.

The Performance Goal set for the financial year ending 30 June 2017 has not been achieved and therefore no bonus payments were made.

**(c) Relationship between the remuneration policy and company performance**

The Board will align the interests of the executive team with those of the shareholders when setting future short and long-term benefits. This will from time to time require management to seek shareholder approval to provide compensation to executive management and the Non-Executive Directors in the form of share options, exercisable to shares, given the achievement of pre-specified objectives.

The table below sets out summary information about the Consolidated entity's earnings and movements in shareholder wealth for the year ended 30 June 2017:

	Financial year ending 30 June 2017 \$	Financial year ending 30 June 2016 \$
Revenue from discontinued operations and other income	8,041,026	40,403,656
Net (loss)/profit after tax	(3,973,961)	(3,417,305)
Share Price at start of year	0.14	0.15
Share price at end of year	0.036	0.14
Final dividend	-	-
Basic and diluted earnings/ (loss) per share	(0.020)cps	(0.019)cps

**(d) Key terms of employment contracts**

**Executives**

The Company aims to reward the Executive Directors with a level of remuneration commensurate with their position, time commitment and responsibilities within the Company, and so as to align the interests of the Executive Directors with those of shareholders; link reward with the strategic goals and performance of the Company; and ensure total remuneration is competitive by market standards.

**Executive Directors**

**Mr Leigh Travers**

Under an Executive Employment Agreement entered into between Mr Travers and DigitalX, Mr Travers is appointed as Chief Executive Officer, in effect from 28 November 2016. The employment will be ongoing until it is terminated in accordance with Mr Travers' Executive Employment Agreement. The employment may be terminated by either party giving 6 months' written notice (although less than 1 months' notice is required by DigitalX in certain circumstances such as Mr Travers illness, absence, material breaches or misconduct in which case Mr Travers will not be entitled to receive any payment in lieu or compensation as set out below). On termination of his employment and where DigitalX elects to make payment in lieu of notice, the Company must pay Mr Travers a payment equal to his salary for the remainder of the notice period. Mr Travers will be under restraint and non-solicitation clauses for up to 24 months after the termination of his employment.

Mr Travers' salary is USD \$135,000 per annum (inclusive of mandatory social security payments including superannuation) subject to annual salary reviews and his reasonable expenses will also be paid by the Company.

Under all of the Employment Agreements above, DigitalX, in its absolute discretion acting reasonably, can assign and transfer the employment to any of DigitalX's Related Bodies Corporate.



## President

### Mr Neel Krishnan

Under an Executive Employment Agreement entered into between Mr Krishnan and DigitalX, Mr Krishnan was appointed as President of DigitalX, in effect from 28 November 2016. The employment will be ongoing until it is terminated in accordance with Mr Krishnan's Employment Agreement. The employment may be terminated by either party giving one months' written notice (although less than 1 months' notice is required by DigitalX in certain circumstances such as Mr Krishnan's illness, absence, material breaches or misconduct in which case Mr Krishnan will not be entitled to receive any payment in lieu or compensation as set out below). On termination of his employment and where DigitalX elects to make payment in lieu of notice, the Company must pay Mr Krishnan a payment equal to his salary for the remainder of the notice period. Mr Krishnan will be under restraint and non-solicitation clauses for up to 12 months after the termination of his employment.

Mr Krishnan's salary is USD \$110,000 per annum (inclusive of mandatory social security payments including superannuation) subject to annual salary reviews and his reasonable expenses will also be paid by the Company.

Under all of the Employment Agreements above, DigitalX, in its absolute discretion acting reasonably, can assign and transfer the Employments to any of DigitalX's Related Bodies Corporate.

## Non-Executive Directors

The remuneration arrangements for the Non-Executive Directors include compensation in the form of annual Directors' fees and from time to time share based payments.

Amounts payable to Director controlled entities for services provided by Directors for the year ending 30 June 2017 is detailed in the following table of this report. The Group carries out consulting activities with the Directors on an arm's length basis in the normal course of business.

### (e) Remuneration of Directors and Executives

The compensation for each Director and executive for the period is contained in the following table.

Name	Short-term employee benefits			Post-employment benefits	Share-based payment	Total
	Salary & fees	Director Fees	Consulting Fees	Super-annuation	Shares, options and performance rights(f)	
2017	US\$	US\$	US\$	US\$	US\$	US\$
Leigh Travers <sup>2</sup>	110,760 <sup>1</sup>	-	-	5,716 <sup>1</sup>	-	116,476
Toby Hicks <sup>3</sup>	-	41,445	-	-	-	41,445
Peter Rubinstein <sup>4</sup>	-	-	-	-	-	-
Sam Lee <sup>5</sup>	-	-	-	-	-	-
Faisal Khan <sup>6</sup>	-	18,750	-	-	-	18,750
Neel Krishnan <sup>7</sup>	155,267	-	-	-	-	155,267
Zhenya Tsvetnenko <sup>8</sup>	8,475 <sup>1</sup>	-	-	805 <sup>1</sup>	-	9,280
Alex Karis <sup>9</sup>	121,407	-	-	-	-	121,407
William Brindise <sup>10</sup>	88,118	-	-	-	56,262	144,381
Fabricio Rodriguez <sup>11</sup>	136,506	-	-	-	10,222	146,728
Brett Mitchell <sup>12</sup>	-	2,247	-	-	-	2,247
<b>Total</b>	<b>620,533</b>	<b>62,441</b>	<b>-</b>	<b>6,521</b>	<b>64,484</b>	<b>755,980</b>

Note 1: Amount paid in Australian Dollars are converted to United States Dollars at 0.75.

Note 2: Leigh Travers was appointed effective as of 24 July 2016.

Note 3: Toby Hicks was appointed effective as of 28 July 2016.

Note 4: Peter Rubinstein was appointed effective as of 15 September 2017.

Note 5: Sam Lee was appointed effective as of 15 September 2017.

Note 6: Faisal Khan was appointed effective as of 6 October 2016.

Note 7: Neel Krishnan was appointed effective as of 1 December 2016.

Note 8: Zhenya Tsvetnenko has resigned effective as of 24 July 2016.

Note 9: Alex Karis has resigned effective as of 23 December 2016.

Note 10: William Brindise has resigned effective as of 1 December 2016.

Note 11: Fabricio Rodriguez has resigned effective as of 31 May 2017.

Note 12: Brett Mitchell has resigned effective as of 24 July 2016.

Name	Short-term employee benefits			Post-employment benefits	Share-based payment	Total
	Salary & fees	Director Fees	Consulting Fees	Super-annuation	Shares, options and performance rights(f)	
2016	US\$	US\$	US\$	US\$	US\$	US\$
Zhenya Tsvetnenko	203,500 <sup>1</sup>	-	-	14,288 <sup>1</sup>	-	217,788
Alex Karis	300,000	-	-	-	-	300,000
William Brindise	225,000	-	-	-	-	225,000
Fabricio Rodriguez	135,200	-	-	-	44,567	179,767
Brett Mitchell	-	26,270	6,467	-	-	32,737
<b>Total</b>	<b>863,700</b>	<b>26,270</b>	<b>6,467</b>	<b>14,288</b>	<b>44,567</b>	<b>955,292</b>

Note 1: Amount paid in Australian Dollars and converted to United States Dollars at 0.74.

(f) *Share options and performance rights granted to Directors*

Name	Options			Class A Performance Rights			Class B Performance Rights <sup>4</sup>		
	Opening balance	Movement for the period	Closing balance	Opening balance	Movement for the period	Closing balance	Open balance	Movement for the period <sup>1</sup>	Closing balance
<b>2017</b>									
Leigh Travers	-	250,000	250,000	-	-	-	-	-	-
Toby Hicks	-	150,000	150,000	-	-	-	-	-	-
Zhenya Tsvetnenko	-	-	-	-	-	-	3,893,883	(3,893,883)	-
Alex Karis	-	-	-	-	-	-	1,986,031	(1,986,031)	-
William Brindise	-	-	-	-	-	-	1,147,705	(1,147,705)	-
Brett Mitchell <sup>2</sup>	300,000	(300,000)	-	-	-	-	-	-	-
<b>Total</b>	<b>300,000</b>	<b>100,000</b>	<b>400,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,027,619</b>	<b>(7,027,619)</b>	<b>-</b>

Note 1: The Class B Performance Rights are unvested and lapsed on 1 July 2016 as the performance hurdle was not met.

Note 2: The unlisted options have expired and lapsed on 30 June 2017.

Name	Options			Class A Performance Rights <sup>3</sup>			Class B Performance Rights <sup>4</sup>		
	Opening balance	Movement for the period <sup>5</sup>	Closing balance	Opening balance	Movement for the period	Closing balance	Open balance	Movement for the period	Closing balance
<b>2016</b>									
Zhenya Tsvetnenko	2,495,013	(2,495,013)	-	7,787,767	(7,787,767)	-	3,893,883	-	3,893,883
Alex Karis	2,495,013	(2,495,013)	-	3,972,061	(3,972,061)	-	1,986,031	-	1,986,031
William Brindise	1,663,342	(1,663,342)	-	2,295,411	(2,295,411)	-	1,147,705	-	1,147,705
Emmanuel Abiodun <sup>1</sup>	1,663,342	(1,663,342)	-	-	-	-	-	-	-
Brett Mitchell <sup>2</sup>	300,000	-	300,000	-	-	-	-	-	-
<b>Total</b>	<b>8,616,710</b>	<b>(8,316,710)</b>	<b>300,000</b>	<b>14,055,239</b>	<b>(14,055,239)</b>	<b>-</b>	<b>7,027,619</b>	<b>-</b>	<b>7,027,619</b>

Note 1: On 9 April 2015 the Company has confirmed that it completed a selective buy-back and cancellation of the 8,276,465 Shares and cancellation of the 2,495,013 Call A Performance Rights and 1,247,507 Class B Performance Rights held by Technology IQ Limited a Company controlled by Emmanuel Abiodun.

Note 2: Mr Brett Mitchell was appointed Non-Executive Director on 5 September 2014, however the options in the Company held by Mr Mitchell were granted in May 2014.

Note 3: The Class A Performance Rights are unvested and lapsed on 1 July 2015 as the performance hurdle was not met.

Note 4: The Class B Performance Rights are unvested and lapsed on 1 July 2016 as the performance hurdle was not met.

Note 5: The unlisted options have expired and lapsed on 6 June 2016.

**(g) Shareholdings of Directors**

**Shareholdings 2017**

Directors	Opening Balance 1-Jul-16	Granted as Compensation	Options Exercised	Net Other Changes <sup>1</sup>	Closing Balance 30-Jun-17
Leigh Travers	311,111	-	-	500,000	811,111
Toby Hicks	-	-	-	300,000	300,000
Peter Rubinstein	-	-	-	-	-
Sam Lee	-	-	-	-	-
Faisal Khan	-	-	-	-	-
Zhenya Tsvetnenko <sup>1</sup>	43,016,201	-	-	(43,016,201)	-
Alex Karis <sup>2</sup>	20,514,200	-	-	(16,517,742)	3,996,458
William Brindise <sup>3</sup>	12,549,897	1,466,888	-	-	14,016,785
Brett Mitchell <sup>4</sup>	62,879	-	-	(62,879)	-
<b>Total</b>	<b>76,454,288</b>	<b>1,466,888</b>	<b>-</b>	<b>(58,796,822)</b>	<b>19,124,354</b>

Note 1: Zhenya Tsvetnenko has resigned effective as of 24 July 2016.

Note 2: Alex Karis has resigned effective as of 23 December 2016.

Note 3: William Brindise has resigned effective as of 1 December 2016.

Note 4: Brett Mitchell has resigned effective as of 24 July 2016.

**Shareholdings 2016**

Directors	Opening Balance 1-Jul-15	Granted as Compensation	Options Exercised	Net Other Changes <sup>1</sup>	Closing Balance 30-Jun-16
Zhenya Tsvetnenko	43,016,201	-	-	-	43,016,201
Alex Karis	20,514,200	-	-	-	20,514,200
William Brindise	12,549,897	-	-	-	12,549,897
Brett Mitchell	76,401	-	-	(13,522)	62,879
<b>Total</b>	<b>76,156,699</b>	<b>-</b>	<b>-</b>	<b>(13,522)</b>	<b>76,143,177</b>

<sup>1</sup> Net other changes are as a result of shares allotted on share issues and other movement due to changes in directors and directors' related entities.

***Year ended 30 June 2017***

During the financial year 8,349,517 unlisted options exercisable at AUD\$0.286, expiring on 30 June 2017, have lapsed.

The financial effect of the options being forfeited is a credit to the accumulated losses in the current financial year of \$642,360 based on the fair value of the options being initially accounted for at AUD\$0.18 cents.

***Year ended 30 June 2016***

During the financial year 8,316,710 unlisted options exercisable at AUD\$0.28, expiring on 5 June 2016, have lapsed.

The financial effect of the options being forfeited is a credit to the accumulated losses in the current financial year of \$1,179,651 based on the fair value of the options being initially accounted for at AUD\$0.153 cents.

The financial effect of the reassessment is a credit to the income statement in the current financial year of \$1,653,782 as the performance rights are not expected to vest.

***Year ended 30 June 2017***

- DigitalX Limited paid Mpire Media Pty Ltd (a company controlled by Zhenya Tsvetnenko) A\$1,010 for the reimbursement of office rent, computer, telephone and offices 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\$30,226 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.
- Digital CC Limited paid Sibella Capital Pty Ltd (a company controlled by Brett Mitchell) A\$3,000 as part of non-executive director fees.
- Digital CC USA LLC extended a \$250,000 credit facility at 1.25% interest rate to Karis Holdings Inc, with \$156,061 being drawn down during the prior financial year, of which \$152,000 has been repaid during the year.

There were no other related party transactions during the year.

***Year ended 30 June 2016***

- DigitalX Limited paid Mpire Media Pty Ltd (a company controlled by Zhenya Tsvetnenko) A\$36,584 for the reimbursement of office rent, computer, telephone and offices 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\$89,106 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.
- Digital CC Limited paid Sibella Capital Pty Ltd (a company controlled by Brett Mitchell) A\$45,000 as part of non-executive director fees and provision of corporate advisory consultancy services.
- Digital CC USA LLC extended a \$250,000 credit facility at 1.25% interest rate to Karis Holdings Inc, of which \$156,061 had been drawn down during the year.

Other related party information:

- Mr Tsvetnenko is the Sole Director and Company Secretary and holder of half of the shares in Lydian Enterprises Pty Ltd ATF Lydian Trust.
- Mr Karis is the Sole Shareholder of Digital Man LLC.
- Mr Brindise is the Sole Shareholder of NRB International LLC.

**End of audited Remuneration Report**

## Directors' Meetings

The Directors attendances at Board meetings held during the year were:

	Board Meetings	
	Number eligible to attend	Number attended
Leigh Travers <sup>1</sup>	8	8
Toby Hicks <sup>2</sup>	8	8
Faisal Khan <sup>3</sup>	7	4
Zhenya Tsvetnenko <sup>4</sup>	2	1
Alex Karis <sup>5</sup>	5	5
William Brindise <sup>6</sup>	5	4
Brett Mitchell <sup>7</sup>	2	1

Note 1: Leigh Travers was appointed effective as of 25 July 2016.

Note 2: Toby Hicks was appointed effective as of 28 July 2016.

Note 3: Faisal Khan was appointed effective as of 6 October 2016.

Note 4: Zhenya Tsvetnenko has resigned effective as of 25 July 2016

Note 5: Alex Karis has resigned effective as of 23 December 2016.

Note 6: William Brindise has resigned effective as of 1 December 2016.

Note 7: Brett Mitchell has resigned effective as of 25 July 2016.

During the current financial period, the Board decided that given the size and scale of operations, that the full Board undertakes the roles undertaken by Audit and Risk Committee, Remuneration Committee and Nomination Committee.

### Shares under option

As at the date of this report, there are 113,654,127 options to subscribe for unissued ordinary shares in the Company, comprising:

Date options granted	Vesting Date	Option class	Exercise price of options	Expiry date of options	Number of shares under option
14 September 2017	-	Unlisted	\$0.0324	14 September 2019	37,700,000
12 September 2017	-	Unlisted	\$0.0324	12 September 2019	200,000
8 September 2017	-	Unlisted	\$0.0324	8 September 2020	10,120,100
1 September 2017	-	Unlisted	\$0.0324	1 September 2020	8,456,669
8 September 2017	-	Unlisted	\$0.0324	8 September 2019	2,800,000
1 September 2017	-	Unlisted	\$0.0324	1 September 2019	3,700,000
30 August 2017	-	Unlisted	\$0.0324	30 August 2020	24,691,358
30 March 2017	-	Unlisted	\$0.0324	30 March 2019	3,000,000
10 February 2017	-	Unlisted	\$0.08	10 February 2018	22,986,000

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or any other body corporate or registered scheme.

### Shares issued on exercise of options

During the Financial year and to the date of this report the Company issued 15,800,000 Ordinary Shares, on exercise of options.

Date options exercised	Option class	Exercise price of options	Number of shares issued
1 September 2017	Unlisted	\$0.08	500,000
8 September 2017	Unlisted	\$0.0324	5,700,000
11 September 2017	Unlisted	\$0.0324	4,000,000
12 September 2017	Unlisted	\$0.0324	600,000
22 September 2017	Unlisted	\$0.0324	5,000,000

### Shares under Convertible notes

As at the date of this report, there are 54 Convertible Notes issued that are convertible to ordinary shares in the Company, comprising:

Date Convertible Notes issued	Value of Convertible Note	Number of Convertible Notes	Conversion price	Maturing
8 September 2017	\$10,000	27	\$0.027	8 September 2018
14 September 2017	\$10,000	27	\$0.027	14 September 2018



### Shares issued on conversion of Convertible Notes

During the Financial year and to the date of this report the Company issued 26,296,295 Ordinary Shares, on conversion of Convertible Notes.

Date converted	Convertible notes converted	Value of Convertible Note	Conversion price	Number of shares issued
30 August 2017	26	\$10,000	\$0.027	9,629,629
1 September 2017	24	\$10,000	\$0.027	8,888,889
4 September 2017	20	\$10,000	\$0.027	7,407,407
11 September 2017	1	\$10,000	\$0.027	370,370

### Indemnification of officers and auditors

During the financial period, the Company paid a premium in respect of a contract insuring the Directors, secretary and officers of the Company and of any related body corporate against a liability incurred as such a Director, Secretary or Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Company has executed a Deed of Protection for each of the Directors. The Company has not otherwise, during or since the financial period, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

### Non-audit services

Amounts of \$18,702 were paid to the auditor for non-audit, tax compliance services provided during the period. No amounts are payable as at the date of this report.

### 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 26.

**Auditor**

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

The Directors' Report is signed in accordance with a resolution of the Directors made pursuant to s. 298(2) of the *Corporations Act 2001*.

On behalf of the Directors

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

**Leigh Travers**  
**Managing Director and CEO**  
Perth 29 September 2017

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## Auditor's Independence Declaration To the Directors of DigitalX Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of DigitalX Limited for the year ended 30 June 2017, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C A Becker  
Partner - Audit & Assurance  
29 September 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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## Independent Auditor's Report to the Directors of DigitalX Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of DigitalX Limited (the Company), and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated statement statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of DigitalX Limited, is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated statement report of the current period. These matters were addressed in the context of our audit of the consolidated statement report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue</b> <b>Note 11.3</b></p> <p>For the year ended 30 June 2017, the Group recognised \$8,012,000 in revenues from its trading segment.</p> <p>The Group recognises its revenue in accordance with AASB 118 <i>Revenue</i>.</p> <p>As the Group operates with a small finance team, certain limitations in its segregation of duties exist. This, coupled with the inherent risk of fraud in revenues, increases the susceptibility of the trading revenue transactions to misstatements, whether due to error or fraud.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the revenue recognition policies applied and assessing their compliance with AASB 118 <i>Revenue</i>;</li> <li>• Testing a sample of trade transactions by tracing to supporting documentation, including source block chain data and bank receipt of cash from the customer;</li> <li>• Performing analytical procedures to assess reasonableness of revenue derived given volumes of trades, market price of bitcoin and the expected margins at which the Group operates; and</li> <li>• Assessing the appropriateness of financial statement disclosures.</li> </ul>
<p><b>Convertible notes and derivative financial liabilities - Note 19.1 and Note 19.2</b></p> <p>As at 30 June 2017, the Group carried \$190,252 in convertible notes and \$121,026 in derivative financial liabilities.</p> <p>Financial instruments associated with convertible notes are recognised and re-measured as prescribed in AASB 9 <i>Financial Instruments</i> and AASB 139 <i>Financial Instruments: Recognition and Measurement</i>. These standards introduce inherent complexities with respect to identifying and treating transactions around convertible notes, including transaction costs. The standards require an assessment as to whether these loans are compound financial instruments or hybrid financial instruments. The conclusion drawn by management impacts the treatment of the loans and any identified components – whether there should be a component recorded in equity or a separate derivative financial liability recorded.</p> <p>This area is a key audit matter as management is required to exercise its judgments and estimates in determining the appropriate accounting treatment of the convertible loan, including derivative financial instruments, if any, as well as re-measuring the fair value of any derivatives at each reporting date.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Reading loan agreements to identify all terms and conditions, including transaction costs, that may give rise to embedded derivative instruments, as well as impact the classification within the consolidated statement of financial position;</li> <li>• Evaluating the Group's classification of the identified financial instruments for compliance with AASB 9 and AASB 139;</li> <li>• Confirming the face value of the notes directly with the note holders as at 30 June 2017;</li> <li>• Assessing the appropriateness of the inputs and assumptions utilised in determining the value of financial instruments required to be reported at fair value, which included the involvement of our internal Corporate Finance experts; and</li> <li>• Assessing the appropriateness of related financial statement disclosures.</li> </ul>

<p><b>Intangible assets</b> <b>Note 17</b></p> <p>As at 30 June 2017, the Group carries \$49,519 net of capitalised development costs. Amounts capitalised in the period were \$1,915,609 and an impairment charge of \$1,966,669 was also recorded.</p> <p>AASB 138 <i>Intangible Assets</i> outlines specific criteria which must be met for expenditure on development costs to be recorded as an asset and carried in the Statement of Financial Position. This criteria includes the requirement to demonstrate that probable future economic benefits will be generated from the asset.</p> <p>This area is a key audit matter due to the management judgement applied in the assessment of whether costs meet the development phase criteria as described in AASB 138.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Assessing the Group's accounting policy for adherence to AASB 138;</li> <li>• Obtaining the schedule of capitalised development expenditure and agreeing to the general ledger;</li> <li>• Testing a sample of costs capitalised by tracing to underlying support such as vendor invoices and payroll records in order to understand the nature of the item and whether the expenditure was attributable to the development of the related asset.;</li> <li>• Evaluating management's assessment of the generation phase and potential for future economic benefits for the project to determine whether activity appropriately met the capitalisation criteria of AASB 138 by holding discussions with management and obtaining corroborating evidence.;</li> <li>• Assessing the appropriateness of related financial statement disclosures.</li> </ul>
<p><b>Going Concern and Subsequent Events</b> <b>Note 2.1 and Note 27</b></p> <p>The Group made a loss of \$3,973,761 for the year ended 30 June 2017, has accumulated losses of \$12,509,086 and a working capital deficiency of \$566,004 as at 30 June 2017. The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgment required in evaluating the Group's assessment of going concern.</p> <p>The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and judgments, as well as occurrences subsequent to balance date. The Directors have concluded that the range of possible outcomes considered in arriving at this judgment does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining and reviewing management's cash flow forecast to assess whether current cash levels can sustain operations for a period of at least 12 months from the proposed date of signing the financial statements;</li> <li>• Agreeing year end cash balances to source bank statements to gain comfort around the cash balances used in the cash flow forecast;</li> <li>• For significant events that occurred post balance date which impacted the cash flow forecast, viewing source documents to support the impact;</li> <li>• Assessing the Group's current level of income and expenditure against management's forecast for consistency of relationships and trends to the historical results, and results since year end; and</li> <li>• Assessing the adequacy of the related disclosures within the financial report.</li> </ul>

### Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the Directors' for the Financial Report**

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

#### **Report on the Remuneration Report**

##### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included on pages 13 to 21 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of DigitalX Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C A Becker  
Partner – Audit & Assurance  
29 September, 2017



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

- (a) the financial statements, notes and the additional disclosures of the consolidated entity are in accordance with the Corporations Act 2001 including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the period then ended; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards, as stated in Note 2 to the financial statements.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial period ended 30 June 2017.

Signed in accordance with a resolution of the Directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the directors



**Leigh Travers**

**Managing Director and CEO**  
Perth, 29 September 2017

	<i>Note</i>	Year ended 30-Jun-17 US\$	Year ended 30-Jun-16 US\$
Other Income	7	47,133	18,579
Professional and consultancy fees	8(a)	(521,096)	(620,876)
Corporate expenses		(221,425)	(196,022)
Advertising, media and investor relations		(333,886)	(116,364)
Employee benefit expenses		(853,607)	(1,268,623)
Share based payments – employee benefits		(109,729)	(182,195)
Depreciation		(13,057)	(9,712)
Intangible asset impairment	17	(953,653)	(1,106,641)
Realised and unrealised foreign exchange losses		(25,141)	(6,559)
Fair value adjustment of Derivative Liability	19.2	20,197	-
Finance cost	8(c)	(224,335)	-
Other expenses	8(b)	(395,929)	(601,003)
<b>Loss before tax</b>		<b>(3,584,528)</b>	<b>(4,089,416)</b>
Income tax benefit/(expense)	9	-	-
<b>Loss after income tax from continuing operations</b>		<b>(3,584,528)</b>	<b>(4,089,416)</b>
<b>Profit/(Loss) from discontinued operations</b>	11	<b>(389,233)</b>	<b>672,111</b>
<b>LOSS FOR THE PERIOD</b>		<b>(3,973,761)</b>	<b>(3,417,305)</b>
<b>Total comprehensive loss for the period</b>			
<b>Total comprehensive loss attributable to:</b>			
Members of the parent entity		<b>(3,973,761)</b>	<b>(3,417,305)</b>
<b>Loss per share attributable to the ordinary equity holders of the parent:</b>			
<b>Basic and diluted loss per share (cents)</b>	12		
Loss from continuing operations		(0.018)	(0.023)
Earnings /(loss) from discontinued operations		(0.002)	0.004
<b>Total</b>		<b>(0.020)</b>	<b>(0.019)</b>

The accompanying notes form part of these financial statements

	Note	US\$	US\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	13	232,225	1,042,288
Trade and other receivables	14	87,754	1,037,519
Prepayments	15	1,566	88,732
Bitcoins	16	10,034	163,380
<b>Total Current Assets</b>		<b>331,579</b>	<b>2,331,919</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	20	10,832	24,250
Intangible assets	17	49,519	194,205
<b>Total Non-Current Assets</b>		<b>60,351</b>	<b>218,455</b>
<b>TOTAL ASSETS</b>		<b>391,930</b>	<b>2,550,375</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	179,203	520,495
Accrued expenses		183,182	258,104
Derivative financial instruments	19.2	121,026	-
Interest Bearing liabilities	19.1	414,172	-
Restoration provisions	19	-	103,981
<b>Total Current Liabilities</b>		<b>897,583</b>	<b>882,580</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>897,583</b>	<b>882,580</b>
<b>NET ASSETS</b>		<b>(505,653)</b>	<b>1,667,795</b>
<b>EQUITY</b>			
Issued capital	21	22,653,333	21,249,214
Reserves	22	396,194	642,360
Accumulated losses		(23,555,180)	(20,223,779)
<b>TOTAL EQUITY</b>		<b>(505,653)</b>	<b>1,667,795</b>

*The accompanying notes form part of these financial statements*

Consolidated Group	Issued Capital US\$	Option Premium and Share Based Payment Reserve US\$	Accumulated Losses US\$	Total US\$
<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>
Loss for the year	-	-	(3,973,761)	(3,973,761)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(3,973,761)	(3,973,761)
Shares issued during the period	1,939,140	-	-	1,939,140
Share issue costs	(138,320)	-	-	(138,320)
Share Buy-back and cancellation	(394,117)	-	-	(394,117)
Buy-back costs	(2,585)	-	-	(2,585)
Share options issued	-	396,194	-	396,194
Share options and performance rights lapsed	-	(642,360)	642,360	-
<b>Balance at 30 June 2017</b>	<b>22,653,332</b>	<b>396,194</b>	<b>(23,555,180)</b>	<b>(505,653)</b>

Consolidated Group	Issued Capital US\$	Option Premium and Share Based Payment Reserve US\$	Accumulated Losses US\$	Total US\$
<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>
Loss for the year	-	-	(3,417,305)	(3,417,305)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(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 lapsed	-	(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>

<sup>1</sup> Refer note 21 and 22 for further information

*The accompanying notes form part of these financial statements*

	<i>Note</i>	Year ended 30-Jun-17 US\$	Year ended 30-Jun-16 US\$
<b><i>Cash flows from operating activities</i></b>			
Proceeds from sale of bitcoins		8,964,809	39,756,534
Receipts from customers		14,039	-
Payment for purchase of bitcoins		(8,391,084)	(35,131,516)
Payments for power and hosting		(199,455)	(2,217,728)
Payments to suppliers and employees		(2,609,050)	(2,921,388)
<b>Net cash used in operating activities</b>	23	<b>(2,220,741)</b>	<b>(514,098)</b>
<b><i>Cash flows from investing activities</i></b>			
Payment for intellectual property		(806,547)	(849,707)
Acquisition of property plant and equipment		(3,414)	(17,333)
Loan to related party		152,000	(156,061)
<b>Net cash used in investing activities</b>		<b>(657,961)</b>	<b>(1,023,101)</b>
<b><i>Cash flows from financing activities</i></b>			
Proceeds from issue of equity securities		1,829,410	-
Proceeds from borrowings		239,124	-
Proceeds from issue of convertible notes		530,352	-
Other (Share Buy-back)		(394,117)	-
Payments for share issue costs		(117,409)	(20,987)
<b>Net cash (used in)/provided by financing activities</b>		<b>2,087,360</b>	<b>(20,987)</b>
<b>Net decrease in cash and cash equivalents held</b>		<b>(791,342)</b>	<b>(1,558,186)</b>
Cash and cash equivalents at beginning of period		1,042,289	2,608,103
Foreign exchange movement in cash		(18,722)	(7,628)
<b>Cash and cash equivalents at end of period</b>		<b>232,225</b>	<b>1,042,289</b>

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

*The accompanying notes form part of these financial statements*

## 1. CORPORATE INFORMATION

The consolidated historical financial statements of DigitalX Limited and its controlled entities (collectively, the Consolidated Entity or Group) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 29 September 2017.

DigitalX Limited (the Company or the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The Company is a for-profit entity.

The nature of the operations and principal activities of the Group are described in the Directors' Report. Information on the Group's structure is provided in Note 25. Information on other related party relationships is provided in Note 24.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been applied consistently to all periods presented in the financial report, except as described at Note 2.2. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### 2.1 Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASs) and interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. All amounts are presented in United States Dollars, unless otherwise noted.

#### **Compliance with IFRS**

The consolidated financial report of the Group also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### **Historical cost convention**

The consolidated financial report has been prepared under the historical cost convention, except for bitcoin holdings inventory that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Cost is based on the fair value of the consideration given in exchange for assets.

#### **Going concern**

During the year ended 30 June 2017 the consolidated entity has incurred a net loss after tax of \$3,973,761 (30 June 2016: \$3,417,305) and net cash outflows from operating and investing activities of \$2,878,702 (30 June 2016: \$1,537,199). As at 30 June 2017 the consolidated entity had cash assets of \$232,225 (30 June 2016: \$1,042,288), Bitcoin current assets of \$10,034 (30 June 2016: \$163,380) and had a working capital deficit of \$566,004 (30 June 2016: surplus of \$1,449,339).

At the date of this report the consolidated entity's cash flow forecast indicates that it expects to be able to meet its minimum commitments and working capital requirements for the twelve month period from the date of signing the financial report, but this is dependent on the factors as described below.

Given the volatile nature of the industry in which the consolidated entity operates and the "start-up" nature of a number of businesses in the group, the consolidated entity is subject to risks and uncertainties that may adversely impact future trading results and cash flows which in turn results in the consolidated entity requiring additional funding, either through raising additional equity or debt. Post year-end, the consolidated entity has been successful in a capital raise of \$4,300,000 as described in Note 29 *Post-reporting date events*.

The Company also has face-value \$1,000,000 in interest-bearing liabilities due within 12-months of balance date. However, as described in Note 19.1, these liabilities are accompanied by an option to be settled via an issuance of shares, thus removing the need to use cash resources. Further, as shown in Note 29 *Post-reporting dates*, a significant portion of these have been settled via share issuance.

Historically, the Company has had significant contractual obligations and cash requirements as reflected in the current and prior year *Statement of Profit or Loss and Other Comprehensive Income*. However, during the past two years, the Company has scaled down its operations and relinquished its significant contracts and commitments.

Given the above mitigating factors, the Group has determined that it will be able to meet all present obligations as and when they fall due and is a Going Concern for the foreseeable future.

### **Presentation and functional currency**

#### *Presentation currency*

The consolidated financial report is presented in United States Dollars.

#### *Functional currency*

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States dollars ('US\$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. Due to the nature of these activities for all entities in the Group the functional currency has been determined to be US\$.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## **2.2 New Accounting Standards and Interpretations**

### **Standards and Interpretations in issue not yet adopted**

The following table lists Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective and have not been early adopted by the Company for the reporting period ended 30 June 2017. These particular standards are considered relevant to the entity based on the balances and transactions presented within these financial statements.

New / revised pronouncement	Superseded pronouncement	Nature of the change	Effective date	Likely impact on initial application
<b>AASB 15 Revenue from Contracts with Customers</b>	AASB 118 <i>Revenue</i> AASB 111 <i>Construction Contracts</i>	AASB 15: <ul style="list-style-type: none"> <li>replaces AASB 118 <i>Revenue</i>, AASB 111 <i>Construction Contracts</i> and some revenue-related Interpretations: <ul style="list-style-type: none"> <li>establishes a new revenue recognition model</li> <li>changes the basis for deciding whether revenue is to be recognised over time or at a point in time</li> <li>provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)</li> <li>expands and improves disclosures about revenue</li> </ul> </li> </ul>	1 January 2018	<i>When this Standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.</i>
<b>AASB 9 Financial Instruments (December 2014)</b>	AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.  These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are: <ol style="list-style-type: none"> <li>Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.</li> <li>Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.</li> <li>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</li> <li>Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> <li>the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)</li> <li>the remaining change is presented in profit or loss</li> </ul> </li> </ol> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>	1 January 2018	<i>When this Standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.</i>



New / revised pronouncement	Superseded pronouncement	Nature of the change	Effective date	Likely impact on initial application
		<p>Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:</p> <ul style="list-style-type: none"> <li>classification and measurement of financial liabilities; and</li> <li>derecognition requirements for financial assets and liabilities</li> </ul> <p>AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.</p> <p>Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.</p>		
<b>AASB 16 Leases</b>	<p>AASB 117 <i>Leases</i> Int. 4 <i>Determining whether an Arrangement contains a Lease</i> Int. 115 <i>Operating Leases—Lease Incentives</i> Int. 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i></p>	<p>AASB 16:</p> <ul style="list-style-type: none"> <li>replaces AASB 117 <i>Leases</i> and some lease-related Interpretations</li> <li>requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases</li> <li>provides new guidance on the application of the definition of lease and on sale and lease back accounting</li> <li>largely retains the existing lessor accounting requirements in AASB 117 requires new and different disclosures about leases</li> </ul>	1 January 2019	<i>When this Standard is first adopted for the year ending 30 June 2020, there will be no material impact on the transactions and balances recognised in the financial statements.</i>

Management are in the process of determining the potential impact of the initial application of the Standards and Interpretations. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

### **New and revised standards that are effective for these financial statements**

A number of new and revised standards are effective for the current reporting period, however there was no need to change accounting policies or make retrospective adjustments as a result of adopting these standards as they were clearly not applicable to the balances and transactions presented within these financial statements

### **2.3 Principles of consolidation**

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of DigitalX Limited (Company or Parent Entity) as at period end and the results of all subsidiaries for the period then ended. DigitalX Limited and its subsidiaries together are referred to as the Group or the Consolidated Entity.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### **2.4 Current and Non-Current classification**

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### **2.5 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, if any, and excluding taxes or duty.

Revenue is recognised when the specific recognition criteria described below have been met:

- **Bitcoin Mining**  
Revenue earned from Bitcoin processing activities, commonly termed 'mining' activities, is recognised at the fair value of the Bitcoins received as consideration on the date of actual receipt, fair value being measured using the closing price of the Bitfinex exchange on the date of receipt. Refer to Note 4(a) for further discussion about the Group's revenue recognition policy for Bitcoin mining activities.
- **Interest revenue**  
Interest income is recognised on a time proportion basis that takes into account the effective yield on the financial asset.
- **Liquidity Desk, digitalX Direct and Market Making Transactions**  
Refer to Note 2.6

## 2.6 Liquidity Desk, digitalX Direct and Market Making Transactions

Revenue from the sale of bitcoins through the Liquidity Desk, digitalX Direct and Market Making is recognised when the Group transfers the risks and rewards of ownership of the bitcoins to its customers. The transfer of the bitcoins is completed through the issue of electronic instructions to the bitcoin network to facilitate the transfer and the transaction is recorded into the Blockchain.

Cost of sales on transactions in Liquidity desk, digitalX Direct and Market Making represents the fair value of bitcoins purchased in the market on the date of sale. Any fair value movements arising between date of purchase of bitcoins and the date of sale are included in the net fair value gains and losses on bitcoin inventory in the statement of profit or loss and other comprehensive income.

No trading revenue is recognised on the sale of mined bitcoins which are either sold on an exchange (i.e. not an over the counter transaction) or utilised as an exchange medium in place of fiat currency. Accordingly the amounts included on the statement of profit or loss and other comprehensive income in relation to mined bitcoins is revenue from bitcoin mining and net fair value gain and loss on bitcoin inventory held for trading.

Accounts payable and accounts receivable which are denominated in bitcoins are initially recognised at the bitcoin price on the Bitfinex exchange at transaction date and as at the reporting date are translated into United States dollars using the quoted bitcoin price on the Bitfinex exchange. Any difference between the initial transaction value and the accounts payable or accounts receivable at reporting date is recognised in net fair value gains and losses on bitcoin inventory in the statement of profit or loss and other comprehensive income.

## 2.7 Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

## 2.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### *The Group as lessor*

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

## 2.9 Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

## 2.10 Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income or tax loss based on the applicable income tax rate for each jurisdiction.

### *Current tax*

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

### *Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the

reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### *Current and deferred tax for the period*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### *Tax consolidation*

The Company and its wholly-owned Australian tax resident entities are part of a tax-consolidated group under Australian taxation law. The head entity within the tax-consolidated group is DigitalX Limited. DigitalX Holdings joined the DigitalX Limited tax consolidation group on 26 May 2014.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial reports of the members of the tax-consolidated group using the 'separate taxpayer within group' approach, by reference to the carrying amounts in the separate financial reports of each entity and the tax values applying under tax consolidation. Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the wholly-owned entities are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. The head entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the assets can be utilised.

Refer to Note 4(f) (ii) for discussion of key estimation uncertainties in respect of current and deferred income taxes.

## **2.11 Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, cash held with bitcoin exchanges, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Cash and cash equivalents do not include the Group's holdings of bitcoins which are classified as bitcoin inventory (refer to Note 2.13 below).

## **2.12 Plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow

to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Plant and equipment are depreciated or amortised on a reducing balance or straight line basis at rates based upon their expected useful lives as follows:

- Bitcoin mining computer equipment – diminishing value at 25% per month, with the remaining carrying value of the equipment being fully depreciated in the month where the carrying value is 10% or less than the asset's original cost price
- Computer equipment – 3 years

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives. The estimated residual value of plant and equipment has been assessed to be zero. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with their carrying amount.

Refer to Note 4(f)(i) for a discussion of the estimation uncertainty in respect of the determination of the appropriate method of depreciation, the underlying useful life and the estimation of residual values in respect of Bitcoin computer mining hardware.

### **2.13 Bitcoin inventory**

Bitcoin is an open-source software-based online payment system where payments are recorded in a public ledger using its own unit of account called a bitcoin. The Group is a broker-trader of bitcoin as it buys and sells bitcoins principally for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. The Group measures bitcoin inventory at its fair value less costs to sell, with any change in fair value less costs to sell being recognised in profit or loss in the period of the change. Bitcoins are derecognised when the Group has transferred substantially all the risks and rewards of ownership. As a result of the Bitcoin protocol, costs to sell Bitcoin inventories are immaterial in the current period and no allowance is made for such costs.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Bitcoin inventory fair value measurement is a Level 1 fair value as it is based on a quoted (unadjusted) market price (Bitfinex exchange) in active markets for identical assets.

Bitcoin inventory is derecognised when the Group disposes of the inventory through its trading activities or when the Group otherwise loses control and, therefore, access to the economic benefits associated with ownership of the Bitcoin inventory.

Refer to Note 4(b) and (c) for further discussion of the Group's accounting policy in respect of Bitcoin inventory valuation and the judgement made in determining that such inventories are carried as commodity broker-trader inventory.

### **2.14 Fair value measurement**

The Group measures financial instruments and non-financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value

measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## **2.15 Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## **2.16 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

## 2.17 Employee benefits

### *Short-term and long-term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

## 2.18 Goods and services or Value Added Tax

Revenues, expenses and assets are recognised net of the amount of associated GST or VAT, except:

- where the GST or VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST or VAT is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST or VAT.

The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST or VAT component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

## 2.19 Earnings per share

### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit/(loss) after tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued or cancelled during the period.

### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## 2.20 Share based payments

Employees and consultants of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

### *Equity-settled transactions*

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions, for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.



## 2.21 Parent entity financial information

The financial information for the parent entity, DigitalX Limited, disclosed in note 26 has been prepared on the same basis as the consolidated financial statements, except as set out below:

### (a) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of DigitalX Limited.

### (b) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

### (c) Tax consolidation legislation

DigitalX Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, DigitalX Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, DigitalX Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate DigitalX Limited for any current tax payable assumed and are compensated by DigitalX Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to DigitalX Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial period. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### 3. FINANCIAL RISK MANAGEMENT

The Group's investment activities expose it to a variety of financial risks: bitcoin price risk, foreign exchange risk, liquidity risk, and interest rate risk. The Group's and the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risks to which it is exposed. The method used is sensitivity analysis for each of foreign exchange risk, liquidity risk and interest rate risk.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated losses.

Operating cash flows have been used by the Group in the period to invest in Bitcoin mining, trading and software development activities and to fund corporate costs of the Company.

The Group holds the

	2017 US\$	2016 US\$
<b>Financial Assets</b>		
Cash and cash equivalents	232,225	1,042,288
Trade receivables	73,789	1,037,519
	306,014	2,079,807
<b>Financial liabilities</b>		
Trade and other payables	179,203	520,495
Interest bearing liabilities	414,172	-
Derivative financial instruments	121,026	-
	714,401	520,495

#### (a) Foreign exchange risk

The Group and the parent entity operate internationally, and during the period were exposed to foreign exchange risk arising from currency exposures, primarily with respect to the USD/AUD dollar rates.

Foreign exchange risks arise from future commercial transactions and recognized assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management regularly monitors exposure to foreign exchange risk, but do not have a current hedging policy in place. It is intended that this policy will be continuously assessed in line with funding requirements for each of the investment opportunities.

As of 30 June 2017, the Group had exposure to foreign currency risk within its recognised assets and liabilities. The Cash and Cash equivalents included \$193,788 (2016: \$45,978) held in AUD bank accounts, being AUD\$253,210 (2016: AUD\$62,132). The Group has derivative liabilities of \$157,440 in AUD (2016: nil) and interest bearing liabilities of \$547,959 in AUD (2016: nil).

### Group sensitivity – foreign exchange risk

Based upon the financial instruments held as at 30 June 2017, had the Australian dollar weakened/strengthened 10% against the US dollar with all other variables held constant, the following impact on profit and or loss in noted:

	Fluctuation	
	+10% USD	-10% USD
Impact on profit of loss – 2017	(85,316)	85,316
Impact on profit or loss – 2016	-	-

### (b) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group deposit funds at both short-term fixed and floating rates of interest.

The Group exposure to interest rates on financial assets and liabilities is detailed in the liquidity risk management section of this note.

#### Interest rate sensitivity

A change in interest rates would not have a material impact on the profit and equity for the current and previous periods of the Group or the Parent entity.

### (c) Fair value estimation

The Directors consider that the carrying amount of financial assets and financial liabilities, as recorded in the financial statements, represent or approximate their respective fair values.

### (d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who oversee a liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring there are appropriate plans in place to finance these future cash flows.

	Weighted average effective interest rate	Less than 1 month Interest bearing - variable	1 to 3 months Interest bearing - variable	More than 3 months Interest bearing liabilities	Less than 1 month Non- interest bearing	1 to 3 months Non- interest bearing
	%	US\$	US \$	US \$	US \$	US \$
<b>2017</b>						
Cash and cash equivalents	0.036	232,225	-		-	-
Other receivables	-	-	5,932		-	67,857
Other payables	-	-	-		(179,203)	-
Interest bearing liabilities	12.3			(1,000,000)		
<b>2016</b>						
Cash and cash equivalents	0.036	1,042,288	-		-	-
Other receivables	-	-	156,061		879,586	-
Other payables	-	-	-		(520,495)	-

The Liquidity and Interest rate risk table above has been drawn up based on the undiscounted cash flow (including both interest and principal cash flows expected) using contractual maturities of financial assets

and the earliest date on which the Group can be required to pay financial liabilities. Amounts for financial assets include interest earned on those assets except where it is anticipated cash will occur in a different period.

#### 4. 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 4(f) ), 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 consolidated financial statements.

##### **(a) Revenue from Bitcoin Mining**

The Group generates revenue by providing computer processing activities for bitcoin generation and transaction processing services on the public ledger system known as the Bitcoin Blockchain. In the crypto-currency industry such activity is generally referred to as Bitcoin mining. The Group receives consideration for providing such Bitcoin mining activities in the form of Bitcoins. The Group has determined that the substance of its Bitcoin mining activities is service provision under the scope of AASB 118 *Revenue* notwithstanding that there is no contractual arrangement under which it provides such services as the services are provided instead through open source software being the Bitcoin protocol. Furthermore, the nature of the Bitcoin protocol is such that the Group is unable to determine in advance the consideration that it will receive, if any, for the Bitcoin mining services that it provides and, therefore, the Group is unable to estimate reliably the outcome of its mining activities in advance of actual receipt of consideration in the form of Bitcoins. Because of the uncertainty over both the timing and amount of the consideration that the Group will receive for undertaking mining activities, management has determined that revenue should only be recognised on actual receipt of Bitcoins as consideration for services provided.

Bitcoins received for mining activities are, therefore, recognised as revenue at fair value on the day of receipt in a private bitcoin wallet controlled by the Group. The fair value of Bitcoins received is determined in accordance with the Group's accounting policy, see Note 4(c) Fair value of Bitcoins below. Bitcoins received are recognised immediately as Bitcoin inventory into the trading book. As revenues from Bitcoin mining activity is measured on an as received basis revenues are neither earned on a constant basis over time, nor necessarily in a direct relationship to computer processing capacity utilised. As a consequence, future generation of Bitcoins and, therefore future revenues, from Bitcoin mining activities may be subject to volatility due to factors outside the Group's control.

##### **(b) Bitcoin inventory**

Management considers that the Group's bitcoins are a commodity. As International Financial Reporting Standards do not define the term 'commodity,' management has considered the guidance in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (AASB 108) that allows an entity to consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practice to the extent that these do not conflict with the requirements of the International Financial Reporting Standards and the International Accounting Standards Board *Conceptual Framework*. Under United States Generally Accepted Accounting Principles (US GAAP) as set out in the Master Glossary of the Accounting Standards Codification, a commodity has been defined as "products whose units are interchangeable, are traded on an active market where customers are not readily identifiable, and are immediately marketable at quoted prices." Based on this definition and the guidance in AASB 108, management has therefore determined that Bitcoins are a commodity notwithstanding that Bitcoins lack physical substance.

The Group's activities include trading Bitcoins, primarily the buying and selling of Bitcoins and to a lesser extent trading in other Bitcoin trading products and, therefore, subsequent to initial recognition, Bitcoin inventory (whether received as consideration for mining activities or acquired through purchase) is held at fair value less costs to sell, reflecting the Group's purpose of holding such Bitcoin inventory as a commodity broker-trader in accordance with AASB 102 *Inventories*. As a result of the Bitcoin protocol, costs to sell Bitcoin inventories are immaterial and no allowance is made for such costs. Changes in the amount of Bitcoin inventories based on fair value are included in profit or loss for the period.

Bitcoin inventory is derecognised when the Group disposes of the inventory through its trading activities or when the Group otherwise loses control, and, therefore, access to the economic benefits associated with ownership of the Bitcoin inventory. Inventory shrinkage arising from denial of access to the economic benefits associated with ownership of Bitcoin inventory are recognised as an expense in profit or loss on identification.

**(c) Fair value of Bitcoins**

Bitcoin inventory is measured at fair value using the quoted price in United States dollars on the Bitfinex exchange ([www.Bitfinex.com](http://www.Bitfinex.com)) at closing Coordinated Universal Time. Management considers this fair value to be a Level 1 input under the AASB 13 *Fair Value Measurement* fair value hierarchy as the price on the Bitfinex exchange represents a quoted price (unadjusted) in an active market for identical assets. Management has selected the Bitfinex exchange as it is a major Bitcoin exchange with appropriate size and liquidity to provide reliable evidence of fair value for the size and volume of transactions that are reasonably contemplated by the Group.

**(d) 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 30 June 2017 is US\$2,016,187.

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 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.

The Company has evaluated the future economic benefit by modelling the expected future cash flows to estimate a value of the asset.

The Company has raised a US\$1,966,669 impairment provision against the costs capitalised for its AirPocket intangible asset. 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.

**(e) 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) Property, plant and equipment**

The Directors have assessed the basis of depreciation of the Bitcoin computer mining hardware at 25% per month on a diminishing value basis.

The Bitcoin computer mining hardware is used to generate Bitcoins (refer to discussion on Revenue from Bitcoin Mining discussed in Note 4(a)). The rate at which the Group generates bitcoins and, therefore, consumes the economic benefits of its Bitcoin computer mining hardware is influenced by a number of factors including the following:

- the complexity of the Mining process which is driven by the algorithms contained within the Bitcoin open source software;
- the general availability of appropriate computer processing capacity on a global basis (commonly referred to in the industry as hashing capacity which is measured in Petahash units); and
- technological obsolescence reflecting rapid development in the Bitcoin mining computer hardware industry such that more recently developed hardware is more economically efficient to run in terms of Bitcoins mined as a function of operating costs, primarily power costs i.e. the speed of hardware evolution in the industry is such that later hardware models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase.

Because of both the Group and the industry's relatively short life cycle to date management has only limited data available to it. Furthermore the data available also includes data derived from the use of economic modelling to forecast future Bitcoin generation and the assumptions included in such forecasts, including bitcoin price and network difficulty, are derived from management assumptions which are inherently judgemental. Based on current data available management has determined that 25% diminishing value best reflects the current expected useful life of Bitcoin computer mining hardware, the diminishing value determined for financial year ending 30 June 2017 is in line with the value applied for the financial year ending 30 June 2016. Management will review this estimate at each reporting date and will revise such estimates as and when data comes available. Whilst it is currently expected that the Group will dispose by sale of Bitcoin mining hardware at the end of its useful life due to the small volume of such transactions to date the Bitcoin computer mining hardware has been assumed to have no residual value at the end of its useful life. Management will review the appropriateness of its assumption of nil residual value at each reporting date.

As set out in Accounting Policy note 2.12 management also assess whether there are any indicators of impairment of property, plant and equipment at the end of each reporting period and if any such indication exists, the Group will estimate the recoverable amount of its property, plant and equipment.

**(ii) Taxation**

*Income taxes*

The Group operates in a newly emerging industry and the application of taxation laws in Australia, the United States and Iceland (the principal countries in which the Group currently operates) in relation to the Group's activities may change from time to time. Changes in the taxation laws or in assessments or interpretation or decisions in respect of, but not limited to the following, may have a significant impact on the Group's results:

- Jurisdiction in which and rates at which income is taxed;
- Jurisdiction in which and rates at which expenses are deductible;
- The nature of income taxes levied, for example whether taxes are assessed on the revenue account or on the capital account;
- Requirements to file tax returns; and
- The availability of credit for taxes paid in other jurisdictions, for example through the operation of double taxation treaties

In recognition of the limited trading and tax history of the Group, management do not consider there is sufficient evidence of probability of the ability to utilise temporary differences and tax losses and hence no deferred tax asset has been recognised as at 30 June 2017 in relation to these assets. The Group will continue to assess the performance and may in the future recognise some or all of these assets.

The Group has taken the approach to calculate income tax expense on the basis that all revenue and expenses attributable to its operations are taxable in Australia and all revenue and expenses attributable to its trading operations are taxable in the United States in addition to certain employee costs incurred in the United States plus an appropriate mark-up.

**(iii) Options and performance rights**

During the current year, 3,849,519 Unlisted Options expiring 30 June 2017, have lapsed, the financial effect was a credit to the Accumulated losses of \$642,360.

**5. DIVIDENDS**

There are no dividends paid or declared during the period.

**6. 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 30 June 2017 the Group operated one reportable segments being software development.

	Software development		Unallocated		Total	
	Period ended 30-Jun-17	Period ended 30-Jun-16	Period ended 30-Jun-17	Period ended 30-Jun-16	Period ended 30-Jun-17	Period ended 30-Jun-16
Segment reporting	US\$	US\$	US\$	US\$	US\$	US\$
<b>Results</b>						
Segment result						
Loss before income tax	(860,027)	(1,106,641)	(2,724,501)	(2,982,774)	(3,584,528)	(4,089,416)
Income tax expense	-	-	-	-	-	-
Profit/(loss) after income tax from continuing operations	(860,027)	(1,106,641)	(2,724,501)	(2,982,774)	(3,584,528)	(4,089,416)
Profit (Loss) from discontinued operations					(389,233)	672,111
<b>Loss attributable to members of the parent entity</b>					<b>(3,973,761)</b>	<b>(3,417,305)</b>
<b>Other</b>						
Depreciation of segment assets	-	-	13,057	-	13,057	-
Amortisation of segment assets	-	-	-	-	-	-
<b>Reconciliation of underlying EBITDA</b>						
Profit/(loss) after income tax					(3,973,761)	(3,417,305)
Interest					18,552	(1,876)
Taxation					-	-
Depreciation					13,057	141,594
Amortisation					-	-
EBITDA					<b>(3,942,413)</b>	<b>(3,277,587)</b>

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



Segment reporting	Software development		Unallocated		Total	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Assets</b>						
Segment assets	49,519	263,959	301,662	1,433,871	351,181	1,697,830
Total assets	49,519	263,959	301,662	1,433,871	351,181	1,697,830
			<b>Assets pertaining to discontinued operations</b>		40,749	852,545
Liabilities			<b>Total Assets</b>		391,930	2,550,375
Segment liabilities	-	200	1,046,128	543,428	1,046,128	543,628
Total liabilities	-	200	1,046,128	543,428	1,046,128	543,628
			<b>Liabilities pertaining to discontinued operations</b>		5,000	338,952
			<b>Total Liabilities</b>		1,051,128	882,580

## 7. OTHER INCOME

	Year ended 30-Jun-17 US\$	Year ended 30-Jun-16 US\$
Interest received	262	1,876
Gain on trading mined coins	-	33,913
Gain on coins held	18,141	-
Other income	28,729	16,703
<b>Total other income</b>	<b>47,132</b>	<b>52,492</b>

## 8. EXPENSES

### (a) Professional and Consultancy fees

	Year ended 30-Jun-16 US\$	Year ended 30-Jun-15 US\$
Legal fees	241,454	442,082
Consulting fees	184,252	62,453
Tax consulting fees	18,702	16,075
Audit fees	76,688	100,266
<b>Total professional and consultancy fees</b>	<b>521,096</b>	<b>620,876</b>

### (b) Other expenses

	Year ended 30-Jun-17 US\$	Year ended 30-Jun-16 US\$
Office and administration	274,349	267,333
Bank charges	4,544	21,734
Other expenses	117,036	311,936
<b>Total other expenses</b>	<b>395,929</b>	<b>601,003</b>

### (c) Finance costs

	Year ended 30-Jun-17 US\$	Year ended 30-Jun-16 US\$
Interest paid / accrued on convertible notes and loans	18,552	-
Amortisation of convertible notes transaction costs	175,111	-
Effective interest charges of convertible notes	30,672	-
<b>Total finance costs</b>	<b>224,335</b>	-

## 9. INCOME TAX

	Year ended 30-Jun-17 US\$	Year ended 30-Jun-16 US\$
Current tax expense / (benefit)	-	-
Deferred tax expense / (benefit)	-	-
Total income tax (benefit) in profit or loss	-	-

### Numerical reconciliation of tax expense to prima facie tax payable

Loss before tax – continuing and discontinued operations	3,973,761	3,417,305
At the Group's statutory income tax rates of Australia: 30%	(1,192,128)	(1,025,191)
Differences in income tax expense due to:		
Effect of expenses that are not deductible in determining taxable profit	12,875	12,339
Effect of different tax rates of subsidiaries operating in other jurisdictions	(97,640)	(65,642)
Impairment losses that are not deductible	286,096	331,992
Other	(4,011)	(43,565)
	(994,808)	(790,067)
Deferred tax assets not recognised	994,808	790,067
Income tax (benefit) recognised in profit or loss	-	-
Income tax benefit is attributable to:		
Loss from continuing operations	-	-
Loss from discontinued operations	-	-
	-	-

The tax rate used for the reconciliation above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

### Current tax assets and liabilities

Current tax liability	-	-
Income tax payable	-	-
Total current tax liability	-	-

### Deferred tax assets and liabilities

As at 30 June 2017 the Group has gross revenue tax losses available to be applied in the future periods in the United States and Australia estimated to be US\$3.9 million and US\$9.8 million respectively. In addition the Group has gross capital losses in Australia estimated at \$1.1 million at 30 June 2017. Following a review of the recoverability of the deferred tax losses an asset will not be recognised as uncertainty exists over future recoverability of the deferred tax losses. Refer note 4(f)(ii) for further information. Other than tax losses there are no other material temporary differences.

**10. REMUNERATION OF AUDITORS**

	Year ended 30-Jun-17 US\$	Year ended 30-Jun-16 US\$
Remuneration of the auditors of the Company for: <i>Grant Thornton Audit Pty Ltd</i>		
Audit and review of financial reports	76,688	84,191
Non-audit services – tax compliance	9,958	16,075
Non-audit services – consulting	4,608	-
	<b>91,254</b>	<b>100,266</b>

## 11. DISCONTINUED OPERATIONS

### 11.1 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.

### 11.2 Wind up of Bitcoin trading operations

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

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

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

The combined results of the discontinued operations (i.e. Bitcoin mining and Bitcoin trading) included in the loss for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	Trading		Mining		Total	
	Period ended 30-Jun-2017	Period ended 30-Jun-2016	Period ended 30-Jun-2017	Period ended 30-Jun-2016	Period ended 30-Jun-2017	Period ended 30-Jun-2016
	US\$	US\$	US\$	US\$	US\$	US\$
Revenue from bitcoins mined	-	-	-	1,904,171	-	1,904,171
Trading desk bitcoin sales	8,012,035	38,426,994	-	-	8,012,035	38,426,994
Trading desk bitcoin purchases	(7,913,143)	(37,872,792)	-	-	(7,913,143)	(37,872,792)
Net fair value gain/(loss) on bitcoin inventory held	(202,719)	-	-	1,307,211	(202,719)	1,307,211
Other Income	-	33,913	-	20,000	-	53,913
Power and hosting expenses	-	-	-	(2,357,629)	-	(2,357,629)
Hardware Repair expense	-	-	(175)	(9,881)	(175)	(9,881)
Depreciation	-	-	-	(131,882)	-	(131,882)
Employee benefit expenses	(128,803)	(188,826)	-	(66,250)	(128,803)	(255,076)
Loss of cash on exchange	(47,331)	(130,983)	-	-	(47,331)	(130,893)
Bad debtors expense	(109,096)	(261,936)	-	-	(109,096)	(261,936)
	-	-	-	-	-	-

	Trading		Mining		Total	
	Period ended 30-Jun-2017	Period ended 30-Jun-2016	Period ended 30-Jun-2017	Period ended 30-Jun-2016	Period ended 30-Jun-2017	Period ended 30-Jun-2016
	US\$	US\$	US\$	US\$	US\$	US\$
Profit/(Loss) before income tax	(389,058)	6,370	(175)	665,740	(389,233)	672,200
Attributable income tax benefit	-	-	-	-	-	-
Profit/(Loss) for the year from discontinued operations (attributable to owners of the Company)	(389,058)	6,370	(175)	665,740	(389,233)	672,200
<b>Cash flows from discontinued operations</b>						
Net Cash Inflows/(Outflows) from Operating activities	487,092	1,863,341	(199,455)	274,264	287,637	2,137,605
Net Cash Inflows from Investing activities	-	-	-	-	-	-
Net Cash Inflows from Financing activities	-	-	-	-	-	-
Net Cash Inflows/(Outflows)	487,092	1,863,341	(199,455)	274,264	287,637	2,137,605

	Trading		Mining		Total	
	Period ended 30-Jun-2017	Period ended 30-Jun-2016	Period ended 30-Jun-2017	Period ended 30-Jun-2016	Period ended 30-Jun-2017	Period ended 30-Jun-2016
	US\$	US\$	US\$	US\$	US\$	US\$
Current assets:						
Trade and other receivables	40,749	852,545	-	-	40,749	852,545
Inventories	-	-	-	-	-	-
<b>Assets pertaining to discontinued operations</b>	<b>40,749</b>	<b>852,545</b>	<b>-</b>	<b>-</b>	<b>40,749</b>	<b>852,545</b>
Current liabilities:						
Trade and other payables	-	134,497	5,000	204,455	5,000	338,952
Accrued expenses	-	-	-	-	-	-
<b>Liabilities pertaining to discontinued operations</b>	<b>-</b>	<b>134,497</b>	<b>5,000</b>	<b>204,455</b>	<b>5,000</b>	<b>338,952</b>

## 12. EARNINGS PER SHARE

	Year ended 30-Jun-17	Year ended 30-Jun-16
<b>Basic and diluted earnings/(loss) per share (cents)</b>		
From continuing operations	(0.018)	(0.023)
From discontinued operations	(0.002)	0.004
<b>Total</b>	<b>(0.020)</b>	<b>(0.019)</b>
The earnings/(loss) used in the calculation of basic and diluted loss per share are as follows:		
From continued operations	<b>(3,584,528)</b>	<b>(4,089,416)</b>
From discontinued operations	<b>(389,233)</b>	<b>672,111</b>
Weighted average number of ordinary shares on issue during the period used in the calculation of basic and diluted EPS	198,937,819	177,889,485

Potential ordinary shares in the form of share options and rights (refer note 22) 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. The impact of the dilution would be to reduce the loss per share.

## 13. CURRENT ASSETS – Cash and cash equivalents

	30-Jun-17 US\$	30-Jun-16 US\$
Cash at bank	232,225	262,005
Cash deposits at call	-	780,283
<b>Total cash and cash equivalents</b>	<b>232,225</b>	<b>1,042,288</b>

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

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

	30-Jun-17	30-Jun-16
	US\$	US\$
Trade receivables, gross	81,497	1,102,920
Allowance for doubtful accounts	(40,748)	(250,374)
<b>Trade receivables, net</b>	<b>40,749</b>	<b>852,546</b>
<b>Other receivables</b>		
GST receivable	12,064	13,480
VAT receivable - Iceland	-	-
Loan to a related party	5,932	157,932
Other	29,009	13,561
<b>Total trade and other receivables</b>	<b>87,754</b>	<b>1,037,519</b>
<b>Trade receivables, net, analysis</b>		
Not more three (3) months	-	749,834
More than three (3) months but not more than six (6) months	-	-
More than six (6) months	40,749	102,712
<b>Total</b>	<b>40,749</b>	<b>852,546</b>

#### 15. CURRENT ASSETS – PREPAYMENT

	30-Jun-17	30-Jun-16
	US\$	US\$
<b>Current</b>		
Prepayment of future cash calls for restoration obligations <sup>1</sup>	-	77,198
Prepayment of insurance and ASX listing fees	-	1,553
Prefunding of AirPocket Top up	1,566	9,981
<b>Total Prepayments</b>	<b>1,566</b>	<b>88,732</b>

<sup>1</sup> Prepayment of future cash calls for restoration obligations relates to the operations of Macro Energy Limited, during the year ending 30 June 2017 the prepayment has been reversed, as it has been concluded that the likelihood of recovering these funds is minimal.

#### 16. CURRENT ASSETS - BITCOINS

	30-Jun-17	30-Jun-16
	US\$	US\$
Bitcoins	10,034	163,380
<b>Total Bitcoins</b>	<b>10,034</b>	<b>163,380</b>

Bitcoins were fair valued using the closing Bitfinex price as at 30 June 2017 of \$2,500 per Bitcoin (2016: \$673 per Bitcoin).

The Bitfinex price for Bitcoins as at 29 September 2017 is US\$4185.



## 17. NON - CURRENT ASSETS - INTANGIBLE ASSETS

	30-Jun-17 US\$	30-Jun-16 US\$
<i>Intellectual property</i>		
Cost	2,016,187	1,305,113
Accumulated amortisation	-	(4,267)
Provision for Impairment	(1,966,669)	(1,106,641)
<b>Net Carrying amount</b>	<b>49,518</b>	<b>194,205</b>
<i>Reconciliation</i>		
Carrying amount at beginning of period	194,205	476,362
Additions	1,915,608	824,484
Write down of Intangible Assets	(93,626)	-
Provision of impairment of Intangible Assets	(1,966,669)	(1,106,641)
Amortisation charge for the period	-	-
<b>Carrying amount at end of period, net of accumulated amortisation and provision for impairment</b>	<b>49,518</b>	<b>194,205</b>

The Group has raised a US\$1,966,669 impairment provision against the costs capitalised for its AirPocket intangible asset. Airpocket's gross capitalised cost totals US\$2,016,669. 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 for impairment charge is US\$953,653 and includes a write off expense of US\$93,626 for other intangibles such as domain names. 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.

## 18. CURRENT LIABILITIES – TRADE & OTHER PAYABLES

	30-Jun-17 US\$	30-Jun-16 US\$
Trade payables	169,774	491,052
PAYG withholding payable	9,430	29,443
<b>Total trade and other payables</b>	<b>179,204</b>	<b>520,495</b>

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

## 19. CURRENT LIABILITIES – RESTORATION PROVISION

	30-Jun-17 US\$	30-Jun-16 US\$
Restoration provision for environmental rehabilitation <sup>1</sup>	-	103,981
	-	<b>103,981</b>

<sup>1</sup> Restoration provision relates to the prior operations of Macro Energy Limited, during the year ending 30 June 2017 the provision has been reversed, as it has been concluded that the likelihood of incurring environmental rehabilitation costs is minimal.

### 19.1 INTEREST BEARING LIABILITIES

	30-Jun-17 US\$	30-Jun-16 US\$
Convertible notes <sup>1</sup>	190,252	-
Convertible loan <sup>2</sup>	223,920	-
	<b>414,172</b>	-

<sup>1</sup> The convertible notes were issued to various holders at various dates in the period in units of AUD \$10,000, with a 12-month maturity and an annual interest rate of 15%. The total face value of the lending in the period was AUD \$700,000. The holder may elect to convert into shares at a conversion right equal to the lower of 5 cents per share and the price of the next capital raise. This factor was determined to be an embedded derivative and has been separated and recorded as a financial liability (see Note 19.2). The holders were also granted 100,000 “free attaching” options for each unit held. These have been valued as demonstrated in Note 22(a) and accounted for as transaction costs. Performance rights were issued to consultants involved in the financing arrangement. The performance rights convert into 1,000,000 options exercisable at the lower of 6 cents or a 20% premium to the next capital raising price. These have been treated as transaction costs. Details to the valuation are disclosed in Note 22(a).

<sup>2</sup> The convertible loan was issued on 2 June 2017 in the amount of AUD \$300,000, with a 12-month maturity and a 12% annual interest rate. The loan may be converted at the election of the Company at a fixed price of 2.7 cents per share, subject to shareholder approval. This loan has been determined to be a compound instrument. However, management has determined that the conversion option for the instrument does not have a material intrinsic value and therefore nil amounts have been recorded as Equity.

### 19.2 DERIVATIVE FINANCIAL INSTRUMENTS

	30-Jun-17 US\$	30-Jun-16 US\$
Conversion options on convertible notes <sup>1</sup>	121,026	-
	<b>121,026</b>	-

<sup>1</sup> The derivative financial instrument is the conversion right of the holders of the notes as described in Note 19.1. The liability has been measured at grant date using the valuation inputs and estimates as described in Note 22(a). The initial value at grant date was \$149,747. A re-measurement at 30 June 2017 resulted in a fair value of the instrument of \$121,026. The adjustment of \$20,197 has been recorded in profit or loss on the Statement of Profit of Loss and Other Comprehensive Income.

## 20. PROPERTY, PLANT AND EQUIPMENT – COMPUTER EQUIPMENT

	30-Jun-17 US\$	30-Jun-16 US\$
Cost	40,417	42,694
Accumulated depreciation	(29,585)	(18,444)
<b>Net Carrying amount</b>	<b>10,832</b>	<b>24,250</b>
<i>Reconciliation</i>		
Carrying amount at beginning of period	24,251	16,435
Additions	1,955	17,527
Disposals	(2,317)	-
Depreciation charge for the period	(13,057)	(9,712)
<b>Carrying amount at end of period, net of accumulated depreciation</b>	<b>10,832</b>	<b>24,251</b>

## 21. ISSUED CAPITAL

### (a) Issued and paid up Capital

	30-Jun-17 US\$	30-Jun-16 US\$
212,044,933 (2016: 178,119,581) fully paid ordinary shares	22,653,332	21,249,214
	<b>22,653,332</b>	<b>21,249,214</b>

### (b) Movement in Ordinary Share Capital

Date	Details	Number of Shares	Issue Price A\$	US\$ <sup>8</sup>
<b>1 July 2016</b>	Opening Balance	178,119,581		21,249,214
<b>7 September 2016</b>	Placement of Shares	10,580,303	0.05	401,119
	Share Issue costs			(22,942)
<b>8 December 2016</b>	Placement of Shares	32,780,000	0.05	1,257,296
	Share Issue costs			(92,189)
<b>14 December 2016</b>	Share Buy-back and cancellation	(17,633,839)	0.03	(394,117)
	Buy-back costs			(2,585)
<b>19 January 2017</b>	Share Purchase Plan	4,232,000	0.05	159,549
	Share Issue costs			(17,291)
<b>7 February 2017</b>	Former Director share issue	1,468,888	0.05	56,263
	Share Issue costs			(3,056)
	Issue of shares to key employees	1,700,000	0.041	53,467
	Share Issue costs			(1,499)
<b>10 February 2017</b>	Shares Issued pursuant to Directors	800,000	0.05	11,447
	Share Issue costs			(1,343)
<b>30 June 2017</b>	Closing Balance	212,044,933		22,653,333

<sup>1</sup> On 7 September 2016, the Company has announced the completion of a capital raising through the issue of 10,580,303 ordinary fully paid shares at AUD\$0.05 per share to raise AUD\$529,015 before costs.

<sup>2</sup> On 8 December 2016, The Company has announced the completion of a capital raising through the issue of 31,940,000 ordinary fully paid shares at AUD\$0.05 per share to raise AUD\$1,622,000 before costs. The Company has also issued 840,000 Shares to a consultant in part consideration for the provision of services

<sup>3</sup> On 13 December 2017, the Company announced the completion of a buy-back of 17,633,839 shares held by entities associated with previous Director, Zhenya Tsvetnenko, for AUD\$0.03 per share.

<sup>4</sup> On 16 January 2017, the Company has announced the completion of a Share Purchase Plan totalling AUD\$211,600 through the issue of 4,232,000 new fully paid ordinary shares at an issue price of AUD\$0.05 per Share. The Share Purchase Plan will also come with attaching 1 for 2 option exercisable at AUD\$0.08.

<sup>5</sup> On 7 February 2017, The Company issued 1,466,888 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.

<sup>6</sup> On 7 February 2017, The Company issued 1,700,000 shares to former Director William Brindise, as part of his termination package.

<sup>7</sup> On 10 February 2017, The Company issued 800,000 shares to the Directors of the Company, Leigh Travers and Toby Hicks, as part of their subscription for shares in the placement completed on 8 December 2016, once the issue was approved by shareholders.

<sup>8</sup> Based on AUD/USD as at the date of transaction

#### Period ended 30 June 2016

<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.

## 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.

## 22. RESERVES

### *Option premium and share-based payment reserve*

The following reserve is established to record balances pertaining to share options and performance rights granted for services provided to the company by employees and vendors.

### Options and Performance Rights

	30-Jun-17 \$	30-Jun-16 \$
Options and Performance Rights – beginning of period	642,360	1,821,980
Options and Performance Rights granted (note 22(c))	396,194	-
Options and Performance Rights expired (note 22(c))	(642,360)	1,821,980
Closing number of options	<b>396,194</b>	<b>642,360</b>

### (a) Valuation of options and performance rights

The fair value of the share options and performance rights 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.

The following tables list the inputs to the model used for valuation of the options:

*Value of conversion options in DigitalX Limited issued at various dates in conjunction with convertible notes*

Item	Date of issuance	Inputs			
		30 Mar 2017	21 Apr 2017	24 Apr 2017	23 May 2017
Volatility (%) (see below)		99%	99%	99%	99%
Risk-free interest rate (%) – range		1.78%	1.78%	1.78%	1.78%
Expected life of option (years)		2	2	2	2
Exercise price per terms & conditions		\$0.06	\$0.06	\$0.06	\$0.06
Underlying security spot price		\$0.04	\$0.036	\$0.036	\$0.024
Valuation date		30 March 2017	21 April 2017	24 April 2017	23 May 2017
Expiry date		30 March 2019	21 April 2019	24 April 2019	23 May 2019
Valuation per option		\$0.021	\$0.018	\$0.018	\$0.01

*Value of share options in DigitalX Limited and of performance rights issued at various dates in conjunction with convertible notes*

Item	Date of issuance	Inputs			
		30 Mar 2017	21 Apr 2017	24 Apr 2017	23 May 2017
Volatility (%) (see below)		99%	99%	99%	99%
Risk-free interest rate (%) – range		1.78%	1.78%	1.78%	1.78%
Expected life of option (years)		2	2	2	2
Exercise price per terms & conditions		\$0.06	\$0.06	\$0.06	\$0.06
Underlying security spot price		\$0.04	\$0.036	\$0.036	\$0.024
Valuation date		30 March 2017	21 April 2017	24 April 2017	23 May 2017
Expiry date		30 March 2019	21 April 2019	24 April 2019	23 May 2019
Valuation per option		\$0.021	\$0.018	\$0.018	\$0.01

*Value of share options in DigitalX Limited issued on 10 February 2017 to brokers*

The following table lists the inputs to the model used for valuation of the unlisted options:

Item	Inputs
Volatility (%) (see below)	79.19%
Risk-free interest rate (%) – range	1.77%
Expected life of option (years)	1
Exercise price per terms & conditions	\$0.08
Underlying security spot price	\$0.042
Valuation date	10 February 2017
Expiry date	10 February 2018
Valuation per option	\$0.0053

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.

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 a one year close-close volatility of DigitalX Limited shares traded on the ASX.

## **(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.

(c) Valuation of options and performance rights on issue or owed as at 30 June 2017

	30-Jun-17 US\$	30-Jun-16 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
<i>Value of unlisted options issued on 16 February 2017</i>		
5,000,000 unlisted options	20,440	-
<i>Value of share options and performance rights in DigitalX limited relating to Convertible notes issued on 30 March 2017 as amortised in the period</i>		
3,000,000 unlisted options	48,047	-
Performance rights for 8,640,000 unlisted options	138,375	-
<i>Value of share options and performance rights in DigitalX Limited relating to Convertible notes issued on 21 April 2017 as amortised in the period</i>		
3,000,000 unlisted options	40,689	-
Performance rights for 8,640,000 unlisted options	117,184	-
<i>Value of share options and performance rights in DigitalX Limited relating to Convertible notes issued on 24 April 2017 as amortised in the period</i>		
100,000 unlisted options	1,361	-
Performance rights for 288,000 unlisted options	3,919	-
<i>Value of share options in DigitalX Limited relating to Convertible notes issued on 23 May 2017 as amortised in the period</i>		
900,000 unlisted options	6,745	-
Performance rights for 2,592,000 unlisted options	19,432	-
<b>Total</b>	<b>396,193</b>	<b>642,360</b>

## 23. 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-17 US\$</b>	<b>Year ended 30-Jun-16 US\$</b>
Loss after income tax		(3,973,761)	(3,417,305)
<i>Non-cash flows in loss</i>			
Revenue from bitcoins earned		-	(1,904,171)
Net fair value (gain)/ loss on bitcoins		184,577	(1,307,211)
Mined Coins Sold		-	2,572,581
Loss of coins on exchange		47,331	36,742
Intangible asset impairment	17	953,653	1,106,641
Depreciation	20	13,057	141,375
Employee Share Issue		109,729	182,195
Fair value adjustment of debt conversion options		(20,197)	-
Finance Costs		205,782	
Restoration Provision Write-down	19	(103,981)	
Other non-cash (income)/expenses including foreign exchange (gains)/losses		(347,808)	1,499,927
		(2,931,615)	(1,089,226)
<i>Change in assets and liabilities, net the effects of purchase of subsidiaries</i>			
Decrease / (increase) in trade and other receivable		797,765	382,305
Decrease / (increase) in prepayments		87,166	(2,850)
(Decrease) / increase in trade payables and accruals		(174,056)	195,673
(Decrease) / increase in tax payable		-	-
Net cash used in operating activities		<b>(2,220,741)</b>	<b>(514,098)</b>

## 24. RELATED PARTY TRANSACTIONS

### (a) Subsidiaries

Interests in subsidiaries are set out in note 26. Balances and transaction between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

### (b) Transactions with key management personnel

	<b>Year ended 30-Jun-17 US\$</b>	<b>Year ended 30-Jun-16 US\$</b>
Short term employee benefits		
-Salaries and fees	620,533	863,700
-Director fees	62,441	26,270
-Consulting fees	-	6,467
Post-Employment Benefits		
-Superannuation	6,521	14,288
Share-based payment		
-Shares granted	66,484	44,567
-Share, options and performance rights <sup>1</sup>	-	-
<b>Total Remuneration</b>	<b>755,979</b>	<b>955,292</b>

<sup>1</sup> Refer to Note 23 (c) for details of the events relating to Performance rights and Options effecting key management personnel.

**(c) Transactions with director related entities**

**Year ended 30 June 2017**

- DigitalX Limited paid Mpire Media Pty Ltd (a company controlled by Zhenya Tsvetnenko) A\$1,010 for the reimbursement of office rent, computer, telephone and offices 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\$30,226 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.
- Digital CC Limited paid Sibella Capital Pty Ltd (a company controlled by Brett Mitchell) A\$3,000 as part of non-executive director fees.
- Digital CC USA LLC extended a \$250,000 credit facility at 1.25% interest rate to Karis Holdings Inc, with \$156,061 being drawn down during the prior financial year, of which \$152,000 has been repaid during the year.

There were no other related party transactions during the year.

**Year ended 30 June 2016**

- DigitalX Limited paid Mpire Media Pty Ltd (a company controlled by Zhenya Tsvetnenko) A\$36,584 for the reimbursement of office rent, computer, telephone and offices 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\$89,106 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.
- Digital CC Limited paid Sibella Capital Pty Ltd (a company controlled by Brett Mitchell) A\$45,000 as part of non-executive director fees and provision of corporate advisory consultancy services.
- Digital CC USA LLC extended a \$250,000 credit facility at 1.25% interest rate to Karis Holdings Inc, of which \$156,061 had been drawn down during the year.

There were no other related party transactions during the year.

**(d) Outstanding balances with related parties**

Karis Marketing Group (a company controlled by Alex Karis) had a credit facility owing to Digital CC USA LLC of \$5,932 as at 30 June 2017.

**(e) Other related party information**

- Mr Karis is the Sole Shareholder of Digital Man LLC.
- Mr Brindise is the Sole Shareholder of NRB International LLC.



## 25. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2.1.

All controlled entities are included in the consolidated annual final report. The parent entity does not guarantee to pay the deficiency of its controlled entities in the event a winding up of any controlled entity. The period end of the controlled entities is the same as that of the parent entity, except for the US companies listed below which use 31 December year end.

Name of Controlled Entity	Place of Incorporation	% of Shares Held 2017	% of Shares Held 2016
<b>Digital CC Management Pty Ltd</b>	Australia	100%	100%
<b>Digital CC Trading Pty Ltd</b>	Australia	100%	100%
<b>Digital CC IP Pty Ltd</b>	Australia	100%	100%
<b>Digital CC Limited</b>	Hong Kong	100%	100%
<b>Digital CC IP Limited</b>	Hong Kong	100%	100%
<b>Digital CC Holdings USA Inc</b>	United States	100%	100%
<b>Digital CC USA LLC</b>	United States	100%	100%
<b>Digital CC USA Services LLC</b>	United States	100%	100%
<b>Digital CC Ventures Pty Ltd</b>	Australia	100%	100%
<b>Pass Petroleum Pty Ltd</b>	Australia	100%	100%
<b>Airpocket International Pty Ltd</b>	Australia	100%	100%
<b>AirPocket LLC</b>	United States	100%	100%

### Year ended 30 June 2017

There were no changes to the controlled entities during the year ended 30 June 2017.

### Year ended 30 June 2016

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.

## 26. PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

### (a) Summary of financial information

	30 June 2017	30 June 2016
	US\$	US\$
<b>Financial position</b>		
Assets		
Current assets	172,091	82,306
Non-Current assets	228,400	2,419,434
<b>Total Assets</b>	<b>400,491</b>	<b>2,501,740</b>
Liabilities		
Current liabilities	(231,510)	(325,725)
Non-current liabilities	(2,137,579)	(668,521)
<b>Total liabilities</b>	<b>(2,369,089)</b>	<b>(994,246)</b>
Equity		
Issued capital	61,087,071	59,682,952
Accumulated losses	(64,403,773)	(60,097,434)
Reserves	1,348,104	1,921,977
<b>Total equity</b>	<b>(1,968,598)</b>	<b>1,507,495</b>
<b>Financial performance</b>		
Profit/ (loss) for the year	(4,306,339)	(1,960,992)
Other comprehensive income/(loss)	-	-
<b>Total comprehensive loss</b>	<b>(4,306,339)</b>	<b>(1,960,992)</b>

### (b) Commitments and Contingent Liabilities of the parent

The parent entity did not have any contingent liabilities or commitments, as at 30 June 2017.

### (c) Guarantees entered into the parent entity

There were no guarantees entered into by the parent entity.

## 27. POST-REPORTING DATE EVENTS

Date of event	Details of event
<b>16/08/2017</b>	On the 16 August 2017, the Company issued 500,000 ordinary shares to Leigh Travers, the CEO and Managing Director, as part of his compensation, as approved by the Shareholders on 30 November 2016.
<b>25/08/2017</b>	On 25 August 2017, the Company had completed an extraordinary general meeting, with all the resolutions proposed being ratified including approval for the acquisition of a relevant interest in the Company by Blockchain Global Limited. Once the acquisition is successfully processed, Blockchain Global Limited will acquire a 40% equity stake in the Company, to the value of AUD\$4,355,118. The transaction will provide the Company with the funding and experienced Blockchain expertise to complete current projects and commence new projects and revenue verticals in the Blockchain ecosystem.
<b>29/08/2017</b>	On 29 August 2017, the Company had announced that it has been appointed as an advisor to the Bankera Initial Coin Offering. DigitalX will be performing a range of industry specific and traditional corporate advisory services plus additional marketing services to Bankera in return for fees.
<b>31/08/2017</b>	On the 31 August 2017, the Company issued the following: 5,644,444 Ordinary shares in part consideration for capital raising services, at an issue price of AUD\$0.027. 2,128,301 Ordinary shares in consideration for previous mandate fees, at an issue price of AUD\$0.027. 74,074,074 Ordinary shares and 24,691,358 free attaching options as part of the 1st trache of the capital raising, to the value of AUD\$2,000,000. 11,111,111 Ordinary shares on conversion of Loan, to the value of AUD\$300,000. 9,629,629 Ordinary shares and 1,200,000 incentive Options on conversion of convertible notes. Value of notes converted is AUD\$260,000. All transactions have been approved by the shareholders on the 25 August 2017.
<b>1/09/2017</b>	On the 1 September 2017, the Company issued the following: 988,867 Ordinary shares in part consideration for capital raising services, at an issue price of AUD\$0.027. 25,370,003 Ordinary shares and 8,456,668 free attaching options as part of the 2nd trache of the capital raising, to the value of AUD\$684,990. 8,888,889 Ordinary shares and 4,800,000 incentive Options on conversion of convertible notes. Value of notes converted is AUD\$24,000. All transactions have been approved by the shareholders on the 25 August 2017. 4,000,000 Convertible note Options 500,000 Ordinary shares on conversion of Options, converted at AUD\$0.08 each.
<b>4/09/2017</b>	On 4 September 2017, the Company had announced that it had signed a joint venture agreement with Stargroup Limited("Stargroup" ASX:STL) to jointly offer and tailor a "Two-Way ATM" solution for buying and selling Bitcoin.
<b>5/09/2017</b>	On the 5 September 2017, the Company issued the following: 7,407,407 Ordinary shares and 8,000,000 free attaching options as part of the 3rd trache of the capital raising, to the value of AUD\$200,000. All transactions have been approved by the shareholders on the 25 August 2017.
<b>8/09/2017</b>	On the 8 September 2017, the Company issued the following: 30,360,302 Ordinary shares and 10,120,101 free attaching options as part of the 4rd trache of the capital raising, to the value of AUD\$819,728. 2,443,840 Ordinary shares at a deemed issue price of AUD\$0.027 28 Convertible notes with a face value of \$10,000 per note, converting to Fully Paid Ordinary Shares at \$0.0324 per Share and maturing 8 September 2018, and attaching 2,800,000 incentive Convertible note options exercisable at \$0.0324. All transactions have been approved by the shareholders on the 25 August 2017. 5,700,000 Ordinary shares issued on exercise of Incentive options at an issue price of \$0.0324

<b>12/09/2017</b>	On the 12 September 2017, the Company issued the following: 370,370 Ordinary shares at a deemed issue price of \$0.027, on conversion of 1 Convertible note, with a face value of AUD\$10,000. 200,000 Convertible note Incentive options. 4,000,000 Ordinary shares on conversion of incentive options at an issue price of \$0.0324.
<b>14/09/2017</b>	On the 14 September 2017, the Company issued the following: 600,000 Ordinary shares as part of Tranche 6 of the Capital raising, at as issue price of \$0.027, to the value of AUD\$16,200. 36,000,000 Options issued on immediate vesting of 36 Broker Performance Rights with an exercise price of \$0.034 and maturing on the 14 September 2019. 27 Convertible notes with a face value of \$10,000 per note, converting to Fully Paid Ordinary Shares at \$0.0324 per Share and maturing 14 September 2018, and attaching 2,700,000 incentive Convertible note options exercisable at \$0.0324 each on a before 14 September 2019. All transactions have been approved by the shareholders on the 25 August 2017. 600,000 Ordinary shares on conversion of incentive options at an issue price of \$0.0324.
<b>15/09/2017</b>	On 15 September 2017, the Company had announced that the capital raising approved at the general meeting on 25 August 2017 has now been completed. The completion of the transaction follows the ASX announcement on 7 June 2016 of the investment of AUD\$4.35m by BGL and nominated investors. Demonstrating long-term shareholder commitment, BGL will voluntarily escrow its holding in the Company for a period of 12 months from the date of issue.
<b>15/09/2017</b>	On 15 September 2017, the Company had announced the appointment of Peter Rubinstein and Sam Lee to the Board of DigitalX as Non-Executive Directors.
<b>19/09/2017</b>	On 19 September 2017, the Company had announced that it has been appointed as a corporate advisor to the upcoming Etherparty Initial Coin Offering. As DigitalX continues to execute on its stated aim of being a trusted adviser in the ICO space, it will be providing a range of corporate advisory services to Etherparty to expand the platform's global footprint.
<b>22/09/2017</b>	On the 22 September 2017, the Company issued the following: 1,000,000 Ordinary shares on exercise of incentive options at \$0.0324 expiring 14 September 2019 4,000,000 Ordinary shares on exercise of incentive options at \$0.0324 expiring 5 September 2019

## 28. POST-REPORTING DATE EVENTS

Between the period of the release of the Preliminary Final Report and the Final report for financial year ending 30 June 2017, events have been identified that were reflected in the Final report, summary of the identified events on the Companies Profit and Loss is shown below.

	Year ended 30-Jun-17 US\$	Year ended 30-Jun-17 US\$	US\$
	Final	Preliminary	Movement
Other Income	47,133	47,133	-
Professional and consultancy fees	(521,096)	(521,096)	-
Corporate expenses	(221,425)	(221,425)	-
Advertising, media and investor relations	(333,886)	(333,886)	-
Employee benefit expenses	(853,607)	(853,607)	-
Share based payments – employee benefits	(109,729)	(109,729)	-
Depreciation	(13,057)	(13,057)	-
Intangible asset impairment	(953,653)	(953,653)	-
Realised and unrealised foreign exchange losses	(25,141)	(22,295)	(2,846)
Fair value adjustment of Derivative Liability	20,197	20,197	-
Interest Expense	-	(66,533)	66,533
Finance cost	(224,335)	(35,281)	(189,054)
Other expenses	(395,929)	(395,929)	-
<b>Loss before tax</b>	<b>(3,584,528)</b>	<b>(3,459,162)</b>	<b>(125,367)</b>
Income tax benefit/(expense)	-	-	-
<b>Loss after income tax from continuing operations</b>	<b>(3,584,528)</b>	<b>(3,459,162)</b>	<b>(125,367)</b>
<b>Profit/(Loss) from discontinued operations</b>	<b>(389,233)</b>	<b>(389,233)</b>	<b>-</b>
<b>LOSS FOR THE PERIOD</b>	<b>(3,973,761)</b>	<b>(3,848,395)</b>	<b>(125,367)</b>
<b>Total comprehensive loss for the period</b>			
<b>Total comprehensive loss attributable to:</b>			
Members of the parent entity	<b>(3,973,761)</b>	<b>(3,848,395)</b>	<b>(125,367)</b>
<b>Loss per share attributable to the ordinary equity holders of the parent:</b>			
<b>Basic and diluted loss per share (cents)</b>			
Loss from continuing operations	(0.018)	(0.017)	
Earnings /(loss) from discontinued operations	(0.002)	(0.002)	
<b>Total</b>	<b>(0.020)</b>	<b>(0.019)</b>	

The reason for the change pertains to subsequent events occurring after the Preliminary Report and were determined to be adjusting events to the financial report as at the date of the Director's Report.

## AUSTRALIAN SECURITIES EXCHANGE INFORMATION

The following information is current as at 12 September 2017.

### EXCHANGE LISTING

DigitalX Limited shares are listed on the Australian Securities Exchange. The Company's ASX code is DCC.

### DISTRIBUTION OF SHAREHOLDERS

The number of shareholders, by size of holding, are:

Range	No of holders	No of shares
1–1,000	1,133	306,477
1,001–5,000	536	1,408,168
5,001–10,000	450	3,503,642
10,001–100,000	1,372	52,877,830
100,001 and over	433	343,066,053
<b>Total</b>	<b>3,924</b>	<b>401,162,170</b>

### UNMARKETABLE PARCELS

Holdings of less than a marketable parcel of ordinary shares:

Holders: 1,881

Shares: 7,463

### UNQUOTED SECURITIES

For each class of unquoted securities, if a person holds 20% or more of the securities in a class, the name of the holder and number of securities held is disclosed.

### UNLISTED OPTIONS AND CONVERTIBLE NOTES

**Unlisted Options exercisable at \$0.08 each on or before 10 February 2018.**

Range	No of holders	No of options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	24	240,000
10,001–100,000	39	2,274,866
100,001 and over	45	20,471,134
<b>Total</b>	<b>108</b>	<b>22,986,000</b>

**Unlisted Options exercisable at \$0.0324 on or before 30 March 2019.**

Range	No of holders	No of options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	2 <sup>1,2</sup>	3,000,000
<b>Total</b>	<b>2</b>	<b>3,000,000</b>

1. Beirne Trading Pty Ltd holds 2,000,000 Options comprising 66.66% of this class

2. The Gas Super Fund Pty Ltd <The Gas Super Fund A/C >holds 1,000,000 Options comprising 33.33% of this class.

**Unlisted Options exercisable at \$0.0324 each on or before 1 September 2019.**

<b>Range</b>	<b>No of holders</b>	<b>No of options</b>
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	1	100,000
100,001 and over	3	4,200,000
<b>Total</b>	<b>2</b>	<b>4,300,000</b>

1. The Gas Super Fund Pty Ltd <The Gas Super Fund A/C> holds 3,000,000 Options comprising 69.77% of this class.

**Unlisted Options exercisable at \$0.0324 each on or before 5 September 2019.**

<b>Range</b>	<b>No of holders</b>	<b>No of options</b>
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	1 <sup>1</sup>	4,000,000
<b>Total</b>	<b>1</b>	<b>4,000,000</b>

1. The Gas Super Fund Pty Ltd <The Gas Super Fund A/C> holds 4,000,000 Options comprising 100.00% of this class.

**Unlisted Options exercisable at \$0.0324 each on or before 8 September 2019.**

<b>Range</b>	<b>No of holders</b>	<b>No of options</b>
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	1	100,000
100,001 and over	2 <sup>1,2</sup>	2,700,000
<b>Total</b>	<b>3</b>	<b>2,800,000</b>

1. Mars Capital Australia Pty Ltd <Mars Family A/C> holds 1,400,000 Options comprising 50.00% of this class.

2. ACL Investment Australia Pty Ltd holds 1,300,000 Options comprising of 46.43% of this class.

**Unlisted Options exercisable at \$0.0324 each on or before 12 September 2019.**

<b>Range</b>	<b>No of holders</b>	<b>No of options</b>
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	1 <sup>1</sup>	200,000
<b>Total</b>	<b>1</b>	<b>200,000</b>

1. JM Phillips Pty Ltd <JM Phillips Super Fund A/C> holds 200,000 Options comprising 100.00% of this class.

**Unlisted Options exercisable at \$0.0324 each on or before 30 August 2020.**

<b>Range</b>	<b>No of holders</b>	<b>No of options</b>
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	1 <sup>1</sup>	24,691,358
<b>Total</b>	<b>1</b>	<b>24,691,358</b>

1. Blockchain Global Ltd holds 24,691,358 Options comprising 100.00% of this class.

**Unlisted Options exercisable at \$0.0324 each on or before 1 September 2020.**

<b>Range</b>	<b>No of holders</b>	<b>No of options</b>
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	12	8,456,669
<b>Total</b>	<b>12</b>	<b>8,456,669</b>

**Unlisted Options exercisable at \$0.0324 each on or before 8 September 2020.**

<b>Range</b>	<b>No of holders</b>	<b>No of options</b>
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	1	63,310
100,001 and over	5 <sup>1,2</sup>	10,056,790
<b>Total</b>	<b>6</b>	<b>10,120,100</b>

1. Bitology Pty Ltd <JSL Family A/C> holds 3,086,420 Options comprising 30.50% of this class.

2. JGM Investment Group Pty Ltd <The Muchnicki Family A/C> holds 3,204,938 Options 31.67% of this class.

**Convertible Notes with a face value of \$10,000 per Note, converting to Shares at \$0.027 per Share and maturing 8 September 2018.**

<b>Range</b>	<b>No of holders</b>	<b>No of notes</b>
1–1,000	3 <sup>1,2</sup>	27
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	-	-
<b>Total</b>	<b>3</b>	<b>27</b>

1. Mars Capital Australia Pty Ltd <Mars Family A/C> holds 14 Convertible Notes comprising 50.00% of this class.

2. ACL Investment Australia Pty Ltd holds 13 Convertible Notes comprising of 46.43% of this class.



## LISTING OF 20 LARGEST SHAREHOLDERS

The names of the twenty largest registered holders of quoted ordinary shares are:

Name	No of shares	% of shares
1. BLOCKCHAIN GLOBAL LTD	85,185,185	21.23
2. BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	14,017,256	3.49
3. NRB INTERNATIONAL LLC	14,016,785	3.49
4. JGM INVESTMENT GROUP PTY LTD <THE MUCHNICKI FAMILY A/C>	9,614,815	2.40
5. BITOLOGY PTY LTD <JSL FAMILY A/C>	9,259,260	2.31
6. J P MORGAN NOMINEES AUSTRALIA LIMITED	6,821,151	1.70
7. MR NEEL KRISHNAN	6,307,500	1.57
8. COMSEC NOMINEES PTY LIMITED	4,255,641	1.06
9. MRS LISA JANINE DE MEIO	4,040,000	1.01
10. BEIRNE TRADING PTY LTD	4,000,000	1.00
11. ACL INVESTMENT AUSTRALIA PTY LTD <ACL FAMILY A/C>	3,981,481	0.99
12. OZSTUDY GROUP PTY LTD	3,703,704	0.92
13. MR HARRY WANG	3,703,704	0.92
14. MR ZIJING XU	3,703,704	0.92
15. YMG INTERNATIONAL GROUP PTY LTD <YMG INTERNATIONAL FAMILY A/C>	3,703,704	0.92
16. MARS CAPITAL AUSTRALIA PTY LTD <MARS FAMILY A/C>	3,611,111	0.90
17. K C CONSULTING SERVICES PTY LTD <K C CONSULTING S/F A/C>	3,400,000	0.85
18. CITICORP NOMINEES PTY LIMITED	3,167,314	0.79
19. MR RAYMOND MCLAREN	3,072,814	0.77
20. TIRELEM PTY LTD <THE TIRELEM SUPER FUND A/C>	3,003,704	0.75
<b>Total</b>	<b>192,568,833</b>	<b>48.00</b>

## SUSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

Name	No of shares	% of shares
Blockchain Global Ltd	85,185,185	21.23

## VOTING RIGHTS

All ordinary shares carry one vote per share without restriction. No voting rights are attached to Options or Convertible Notes.

## ON MARKET BUY BACK

There is no current on-market buy-back.

## SECURITIES APPROVED FOR PURPOSES OF S611 OF THE CORPORATIONS ACT

On 25 August 2017, Shareholders approved the following securities for the purposes of item 7 under s611 of the Corporations Act to Blockchain Global Limited (or its nominee) on the terms and conditions set out in the Explanatory Statement accompanying Notice of Meeting dated 24 July 2017. As at the 12 September 2017, these issues are only partially completed, as described below:

(a) 129,819,193	Subscription Shares (129,804,379 issued)
(b) 43,268,737	Subscription Options (43,268,127 issued)
(c) 43,268,737	Shares upon the exercise of Subscription Options (b) (none issued)
(d) 11,111,111	Shares upon conversion of Loan (11,111,111 issued)
(e) 55	Subscription Convertible Notes (28 issued)
(f) 20,370,370	Shares upon conversion of Subscription Convertible Notes (e) (370,370 issued)
(g) 5,500,000	Subscription Convertible Note Options issued free attaching to the Subscription Convertible Notes (e) (2,800,000 issued)
(h) 5,500,000	Shares upon exercise of the Subscription Convertible Note Options (g) (none issued)
(i) 11,000,000	Incentive Options (200,000 issued)
(j) 11,000,000	Shares upon exercise of the Incentive Options (i) (none issued)

## CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement for the 2017 financial year can be accessed at:

<https://digitalx.com/corporate-governance/>