



DigitalCC Limited

Innovative Digital Currency Solutions

Digital CC Limited ABN 59 009 575 035

ASX Code: DCC

Trading as digitalBTC

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ASX ANNOUNCEMENT

29 January 2015

digitalBTC Records Positive Quarterly Cashflow as Evolution into Vertically Integrated Payments Technology Company Continues

Emerging digital payments company Digital CC Limited (trading as digitalBTC) (ASX: DCC) (the “Company” or “digitalBTC”) is pleased to announce continued strong progress in the development of the Company, with positive quarterly cash flow supporting the ongoing payments product and FinTech (Financial Technology) development efforts.

Highlights

- Positive cash flow for the quarter of \$549k as a result of previous investments in transaction verification capacity, reduced power costs and reduction in bitcoin inventory at period end.
- The Company's focus for the year ahead is on the development of digitalX Pocket and other FinTech software based on digital currencies.
- Strong development progress with imminent launch of digitalX Mintsy product and over 35,000+ pre enrolments for digitalX Pocket.
- The Company continues to renegotiate power and other operating costs to maintain competitiveness in a lower bitcoin price environment which currently exists.

digitalBTC's Executive Chairman, Zhenya Tsvetnenko, said that the Company was pleased to return a positive cash flow result for the Quarter.

“We continue to carefully manage shareholder funds as we progress our development as a FinTech pioneer, based upon our digital currency investments,” said Mr Tsvetnenko.

“We have a number of digital currency applications under development, which will see us take advantage of the significant opportunities opened up by digital currencies and their underlying payment systems.

“Nothing in the recent Bitcoin price movements undermines the truly innovative aspects of digital currency – the ability to move value from one corner of the globe to the other in a safe, cost effective manner at any time of day or night.

“The continued interest in digital currencies has been further evidenced by Microsoft's recent announcement that it will allow bitcoin to be used for digital purchases as well as a \$75 million capital raising by a leading bitcoin-focused company, Coinbase.

“These digital payment innovations are where we are squarely focussing our efforts as we continue to develop into an integrated payments technology company,” said Mr Tsvetnenko

Payments Products and Fin Tech Development

Digital CC Limited continues with its development of consumer applications and is seeking to fast track the launch of these products in the coming months to become a vertically integrated payment technology company, as previously announced in December 2014. These new consumer payment and digital currency applications will be the focus of the Company's resources and a key driver of its future growth and value.

Products under development include:

digitalX Mintsy (<http://www.mintsy.co/>), developed in Joint Venture with leading digital exchange Cryptsy, is set for imminent launch with over 30,000 users signed up awaiting the launch. digitalX Mintsy is designed for the professional segment of the digital currency market interested in purchasing computing power used to verify digital currency transactions. We expect Mintsy's customers will consist of companies and individuals that require access to the specialised computing power required to develop novel digital currency applications as well as users wanting to earn financial rewards through a process called "mining". Cryptsy will actively promote digitalX Mintsy to its customer base of over 250,000 registered users.

digitalX Pocket (<https://pocket.digitalx.com/>), which received 35,000+ pre enrolments in less than 30 days. digitalX Pocket is a mobile application that makes online transactions simpler and more secure. It will allow users to transfer funds instantly, anywhere in the world at any time eliminating traditional transaction cut off times and costs.

digitalX Direct (<https://digitalxdirect.com/>), a private liquidity platform designed to provide real time liquidity to institutional investors and large commercial operators, which has now launched.

Liquidity Desk Operations

The Liquidity Desk operations have grown significantly in the latest quarter with bitcoin sales of \$8.5 million and total bitcoin sales of \$10.8 million for the six month period to 31 December 2014. We are very pleased with the growth in this segment of the business and are aware of significant opportunities to expand and grow these operations over the next six months.

Transaction Verification (i.e. Bitcoin Mining)

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

To date the Company has been fortunate to be at the forefront of Bitcoin mining. To maintain profitable operating margins in its mining activities given the recent decrease in the price of bitcoin, the Company has been renegotiating power and other operating costs to maintain competitiveness in a lower bitcoin price environment which currently exists.

Fluctuations in the bitcoin price will influence the profitability of the Company's ongoing bitcoin mining activities and the value of its bitcoin inventory with falls in the price lowering immediate profitability and rises in price increasing profitability. We expect the focus of 2015 to shift towards ventures that are less reliant on bitcoin price.

Bitcoin mining is a dynamic process where lower prices should eventually lead to lower difficulty as a result of equipment being turned off by miners that cannot sustain their operations. Lower difficulty leads to an increased share of coins mined by the miners still operating their equipment. As with other commodity markets, the price of BTC fluctuates, albeit with more volatility.

digitalBTC's investment into digitalX Mintsy (further detailed above) will focus on selling hashing power which users can buy and utilise to mine cryptocurrencies of their choice including newly invented cryptocurrencies. This is a long term investment which supports an integral part of the cryptocurrency ecosystem - transaction verification. i.e. mining.

	Quarter ended 31 Dec 2014	Quarter ended 30 Sep 2014	Cumulative for the Half Year ended 31 Dec 2014
Bitcoins earned from mining	~3,627	~6,090	~9,717
Bitcoins sold from mining	~10,269	~2,290	~12,559
Sale of bitcoins from mining	~\$US3.4 million	~\$US1.1 million	~\$US4.5 million
Avg. sales price per bitcoin	~US\$331	~US\$480	~US\$358
Increase/ (Decrease) in Liquidity Desk bitcoins	~514	~1,100	~1,614
Bitcoins held at period end	~2,372	~8,500	~2,372
Market Value of all bitcoins held	~US\$0.8 million ¹	~US\$2.3 million ²	~US\$0.8 million

Summary of Working Capital Position

The Company had US\$4.9 million in cash, US\$0.8 million bitcoins and US\$0.6 million working capital (receivables net payables) at 31 December 2014

Market Developments

Last week San Francisco based bitcoin wallet and platform Coinbase, raised \$75 million in a Series C financing led by DFJ Growth, Silicon Valley venture capital. Three of the world's most respected financial institutions, The New York Stock Exchange, a subsidiary of USAA and the large multinational bank BBVA invested in the round alongside personal investments from former Citigroup CEO Vikram Pandit and former Thomson Reuters CEO Tom Glocer.

The funding marks the largest funding round to date for a Bitcoin company and the first time financial institutions have made a major investment in one.

Tom Farley, president of the New York Stock Exchange commented: "We are tapping into a new asset class by teaming up with a leading platform that is bringing transparency, security and confidence to an important growth market."

digitalBTC believes the move further evidences investor interest, recognition and global adoption, as within leading financial institutions, of digital currencies. The Company will continue to develop its financial technology platform and launch consumer applications in the coming months to provide customers fast and secure transactions whilst becoming a fully integrated payments technology company.

Note 1: Price per bitcoin of US\$320 on 31 December 2014

Note 2: Price per bitcoin of US\$390 on 30 September 2014

Microsoft, the world's largest software maker, also announced that it will begin accepting the digital currency Bitcoin for digital purchases. Microsoft users will be able to trade-in bitcoins – at current market value — and add it to their Microsoft account. Those funds can then be used to purchase content in the Windows Store, or in stores that house Xbox Games, Xbox Music or Xbox Video.

In announcing the move to accept Bitcoin, Eric Lockard, corporate vice president of Universal Store at Microsoft said: *“For us, this is about giving people options and helping them do more on their devices and in the cloud. The use of digital currencies such as bitcoin, while not yet mainstream, is growing beyond the early enthusiasts. We expect this growth to continue and allowing people to use bitcoin to purchase our products and services now allows us to be at the front edge of that trend.”*

Further details are available on Microsoft's blog site:

<http://blogs.microsoft.com/firehose/2014/12/11/now-you-can-exchange-bitcoins-to-buy-apps-games-and-more-for-windows-windows-phone-and-xbox/>

digitalBTC believes that the move by Microsoft further demonstrates the inherent advantages of digital currency and payments systems, such as Bitcoin, for global companies with significant cross border transaction and payments requirements, particularly when compared to legacy systems such as credit cards.

PayPal subsidiary Braintree has also [recently announced](#) that merchants using their payments platform can now accept payments in bitcoin using a Coinbase bitcoin wallet. Companies such as Uber and AirBnB utilize the Braintree payments platform.

The digital payment products that digitalBTC has under development will support and tie into this ever growing take up of digital currencies and payments systems, by providing users with the tools and products to access digital currencies.

Corporate

During the quarter the Company appointed BBY Limited as the Company's Equity Capital Markets Advisor.

BBY is one of Australia and New Zealand's largest, and fastest growing, independent stockbroker firms. The firm was appointed to provide digitalBTC with corporate advice, assisting in educating domestic and international investors about both digitalBTC and the wider Bitcoin industry. The firm will also provide regular, independent, institutional grade research on the Company.

BBY Limited has since published research reports covering the Company, the digital payments sector, including bitcoin mining, trading and consumer products.

The reports are available to view at digitalBTC's website – <http://digitalbtc.com/analyst-reports/>

-ENDS-

For further information, please contact:

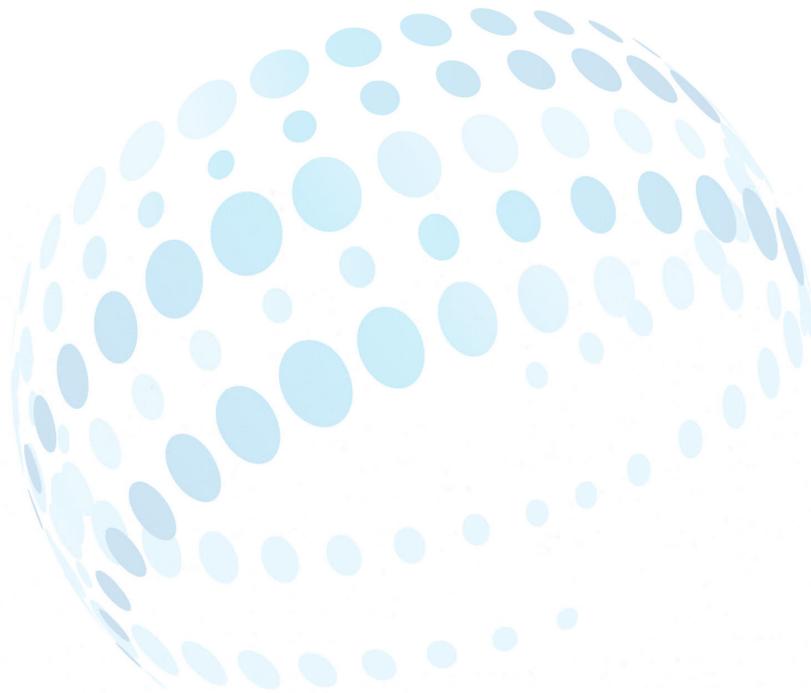
digitalBTC

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Appendix 4c**Quarterly report for entities admitted on the basis of commitments**

Name of entity

Digital CC Limited

ABN

59 009 575 035

Quarter ended ("current quarter")

31-December-2014

		Current quarter USDS'000	Year to date USDS'000
Cash flows related to operating activities			
1.1	Cash receipts from sale of bitcoins	7,490	10,041
1.2	Payments for		
	(a) staff costs	(538)	(979)
	(b) advertising & marketing	(155)	(188)
	(c) research and development expense	(27)	(31)
	(d) leased assets	-	-
	(e) Administrative and corporate costs	(322)	(641)
	(f) professional fees	(351)	(826)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income Taxes paid	(3)	(3)
1.7	Other (provide details if material)		
	(a) Prepayment of power and hosting**	-	(483)
	(b) Power and hosting of bitcoin mining equipment	(842)	(1,421)
	(c) Purchase of bitcoins for Liquidity Desk	(5,826)	(7,144)
	(d) Receipt of US Marshall deposit	-	600
	(e) Receipt of lease fee for mining hardware	21	258
	(f) Receipt of Iceland VAT refund	1,160	1,160
			-
1.18	Net Operating Cash Flows	607	346
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	(52)	(77)
	(d) physical non-current assets	(3)	(20)
	(e) other non-current assets	-	-
	(f) mining equipment	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Cash acquired through business combinations	-	-
1.13	Other (security deposit)	-	-
	Net investing cash flows	(55)	(96)
1.14	Total operating and investing cash flows	552	250
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited share	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other (Cost of Capital)	-	-
	Net financing cash flows	-	-
Net increase (decrease) in cash held		552	250
1.21	Cash at beginning of quarter/year to date	4,360	4,575
1.22	Exchange rate adjustments to item 1.21	(4)	83
1.23	Cash at end of quarter	4,909	4,909

Payments to directors of the entity and associates of the directors			
Payments to related entities of the entity and associates of the related entities		Current quarter USDS*000	
1.23	Aggregate amount of payments to the parties included in item 1.2	559	
1.24	Aggregate amount of loans to the parties included in item 1.10	-	
1.25	Explanation necessary for an understanding of the transactions		
	Salary, Director fees and reimbursement of corporate costs		
Non-cash financing and investing activities			
2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	N/A	
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	N/A	
Financing facilities available			
<i>Add notes as necessary for an understanding of the position.</i>			
		Amount available USDS*000	Amount used USDS*000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-
Reconciliation of cash			
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.			
		Current quarter USDS*000	Previous quarter USDS*000
4.1	Cash on hand and at bank	2,137	3,603
4.2	Cash at exchanges	2,772	758
4.3	Bank overdraft	-	-
4.4	Other (procide details)	-	-
	Total: cash at end of quarter (item 1.23)	4,909	4,360
Acquisitions and disposals of business entities			
		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity		
5.2	Place of incorporation or registration		
5.3	Consideration for acquisition or disposal		
5.4	Total net assets		
5.5	Nature of business		

Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- This statement does give a true and fair view of the matters disclosed.

Sign here:



29-Jan-15

Mark Laybourn
Chief Financial Officer

Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
- Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.