



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 August 2014

### DigitalBTC Preliminary Final Report for FY14 Demonstrates Strong Underlying Performance

#### Results:

- Bitcoin mining and trading operations reports strong underlying results for initial reporting period to 30 June:
  - **Revenue ~US\$4.0 million.**
  - **Normalised EBITDA ~US\$2.5 million<sup>1</sup>.**
  - **Underlying Net Profit After Tax US\$0.6 million**
  - These results delivered from just **3.5 months** of any significant revenue generating operations.
- Bitcoin mining, the Company's core cash generator, delivered the majority of EBITDA. This trend has continued into the 2015 financial year with a further US\$1.3m invested in mining hardware post year end, increasing the Company's Bitcoin mining capacity by approximately 90%.
- Full Year Statutory NLAT of US\$11.1 million, primarily a result of a one-off non-cash accounting expense of US\$11.0 million due to IFRS accounting treatment of the Digital CC Limited (formerly Macro Energy) reverse takeover transaction.

Digital CC Limited (trading as digitalBTC) (ASX: DCC) (the "Company" or "digitalBTC") is pleased to release the Company's Preliminary Final Report (Appendix 4E) for the period ended 30 June 2014. The result for the period shows a net loss after tax, driven by a significant non-cash one-off accounting expense related to the reverse takeover of Digital CC Limited (formerly Macro Energy).

The underlying Bitcoin mining and trading operations, after removing the one off transaction related accounting expense and one off legal fees associated with the transaction, has delivered a strong performance, over only 3.5 months of significant operations, with revenue of ~US\$4.0 million and EBITDA of ~US\$2.5million. This strong performance has carried forward to date into the financial year for 2015.

digitalBTC's Executive Chairman, Zhenya Tsvetnenko said that the underlying digital currency results highlighted the earning capacity of the business.

"This is a fantastic inaugural result for the Company, with strong returns generated from the business. Aside from some non-cash accounting related adjustments, I couldn't have hoped for a better first result," said Mr Tsvetnenko.

“We are committed to continuing to deliver results and performance against our business plan and targets in the current financial year, in order to build a track record of strong earnings for our shareholders,” said Mr Tsvetnenko.

“On behalf of the Board, I am very pleased that these are the first financial results to be released by a Bitcoin focused company on a major stock exchange, anywhere in the world. This is a first for our industry, and the transparency it provides into our operations and financial reporting is a new level of disclosure for our shareholders, and should help the understanding and acceptance of Bitcoin in the broader investment community,” said Mr Tsvetnenko.

### **Digital Currency Segment Overview**

Bitcoin Mining\* is currently the principal revenue and earnings generator for the business, representing the majority of the underlying ~US\$4.0 million in revenue and ~US\$2.5 million EBITDA. The company’s mining is primarily run on advanced BitFury Group Inc. hardware.

Post year end, the Company invested further into Bitcoin mining with the purchase of additional BitFury Group equipment, as well as seeking to liquidate older generation hardware to re-invest those proceeds into newer generation hardware which is faster and more power efficient. The company has now made two investments – US\$4 million and US\$1.3 million in BitFury Group Bitcoin mining hardware, with the US\$4 million cash investment achieving pay-back of both capital and operational costs within ~4 months.

digitalBTC continually evaluates the option to either operate the Bitcoin mining equipment to earn new bitcoins, or to seek additional attractive returns from liquidation of the Bitcoin mining hardware prior to the end of its useful life.

The liquidity desk operations are steadily growing, providing bitcoins to partners with a need for readily available bulk quantities of bitcoin. Liquidity activities through trusted partners using strategies such as brokering (buying & selling) and lending continue to generate good returns. digitalBTC’s capital and coins are allocated to the most compelling opportunities, which are assessed in real time on a risk reward basis.

Consumer software applications are currently under development and digitalBTC is focusing on both security and an “easy to use” approach for the applications, capitalising on the rapidly increasing demand for user friendly digital currency applications as they continue to grow. Only when both security and ease of use can be offered to consumers in one product, will Bitcoin reach its maximum mainstream adoption rate. In this respect, digitalBTC continues its R&D on a number of innovative methods to tie together the security and ease of use within one product.

For the period ended 30  
June 2014

<b>Bitcoins earned from mining</b>	~7,200 bitcoins
<b>Bitcoins sold from mining</b>	~4,000 bitcoins
<b>Cash receipts from bitcoins sold from mining</b>	~US\$2.0 million
<b>Avg. sales price per bitcoin</b>	~US\$525 / bitcoin
<b>Bitcoins held at month end<sup>1</sup></b>	~3,600 bitcoins
<b>Market value of all bitcoins held</b>	~US\$2.3 million <sup>2</sup>

\* Bitcoin mining is the term used to describe the process of earning new Bitcoins, which can then be converted to any major currency. The process involves using powerful, cutting edge computer technology to provide a service to the Bitcoin network of verifying Bitcoin transactions. New Bitcoins are created and assigned by the Bitcoin network to the providers of verification services, such as digitalBTC.

## Outlook

digitalBTC continues to see positive results from its Bitcoin mining operations which has recently been augmented with an investment of US\$1.3 million into new BitFury Group Bitcoin mining equipment.

Liquidity Desk operations continue to grow and in line with the pursuit of opportunities to provide liquidity for commercial bitcoin enterprises, digitalBTC has now significantly expanded strategic partners and volume leading into the new Financial Year. In return for providing bulk bitcoin liquidity operations, digitalBTC retains a margin over and above current market prices.

Software development has significantly stepped up post the end of the Financial Year, with a pre-enrolment launch expected shortly. The Company intends to launch a product beta prior to the end of 2014.

The Company has also commissioned (an independent research firm to produce a detailed overview of the Company's operations and results, to be released in the coming weeks.

## Transaction related write-offs and other one off costs

The Bitcoin mining and trading operations of digitalBTC were acquired on 6 June 2014, after having been previously announced on 13 March 2014. A substantial rise in the Company's share price occurred post the announcement on 13 March 2014. This has the effect of creating a substantial rise in the accounting cost of the acquisition, which was required to be recognised as an expense, producing a non-cash accounting expense of ~\$US11 million.

The company has reported separate segment results to allow investors to properly understand the performance of the underlying digital currency operations, aside from the one off transaction costs.

<sup>1</sup> Includes bitcoins purchased as part of Liquidity Desk operations

<sup>2</sup> Price per bitcoin of US\$640 on 30 June 2014

## Reconciliation of Underlying Digital Currency Operations to Statutory Profit

Based on the information used for internal reporting purposes by the executive management committee, at 30 June 2014 the group operated one reportable segment being the Bitcoin mining and trading operations. As above, the reverse takeover of the digitalBTC business by Macro Energy Limited resulted in a significant non-cash accounting expense, as well as significant one off transaction costs including legal, capital raising and transaction fees, and other advisor costs, and ASX/ASIC fees.

Segment reporting	Bitcoin mining and trading operations \$	Unallocated <sup>+</sup> \$	Total \$
<b>Revenue</b>			
Bitcoin mining revenue	3,959,558	-	3,959,558
Net fair value gain on bitcoins held	393,297	-	393,297
Other income	43,027	13,453	56,480
<b>Total segment income</b>	<b>4,395,822</b>	<b>13,453</b>	<b>4,409,335</b>
<b>Results</b>			
Segment result			
Profit/ (Loss) before income tax	625,159	(11,706,057)	(11,080,898)
Income tax expense	(35,947)	-	(35,947)
<b>Profit / (Loss) after income tax</b>	<b>589,212</b>	<b>(11,706,057)</b>	<b>(11,116,845)</b>
<b>Assets</b>			
Segment assets	11,198,770	370,098	11,568,868
<b>Total assets</b>	<b>11,198,770</b>	<b>370,098</b>	<b>11,568,868</b>
<b>Liabilities</b>			
Segment liabilities	701,338	103,981	805,369
<b>Total liabilities</b>	<b>701,338</b>	<b>103,981</b>	<b>805,369</b>
<b>Other</b>			
Depreciation of segment assets	1,831,040	89	1,831,129
Amortisation of segment assets	1,900	-	1,900
<b>Reconciliation of underlying EBITDA</b>			
Profit after income tax	589,212		
Interest	69,830		
Taxation	35,947		
Depreciation	1,831,040		
Amortisation	1,900		
<b>EBITDA</b>	<b>2,527,929</b>		

<sup>+</sup> Includes corporate and reverse acquisition expenses and the realisation of Macro Energy Limited operations.

## Tax Treatment of Digital Currency Operations

The Company has considered the draft ruling issued by the ATO concerning the tax treatment of bitcoins, and digital currencies more generally. The approach taken by the ATO is consistent with the approach undertaken by digitalBTC in preparing the FY14 accounts.

The ATO has also provided specific guidance on the taxation treatment of Bitcoin mining, which again is consistent with the approach of digitalBTC. For Bitcoin mining, income is

derived from the sale of bitcoins to third parties, and any expenses (primarily capital depreciation and power costs) are allowed as a deduction. Bitcoins held but not yet sold are treated as trading stock brought to account (“marked to market”) at the end of the reporting period.

Accordingly the company does not foresee any adverse impact to the operations of digitalBTC arising from the ATO ruling; however the company does fully support the position of the Australian Digital Currency Commerce Association in advocating that Bitcoin be treated as a foreign currency for taxation purposes, similar to the view taken by the United Kingdom.

-ENDS-

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