



**DigitalCCLimited**

Innovative Digital Currency Solutions

Digital CC Limited ABN 59 009 575 035

ASX Code: DCC

Trading as digitalBTC

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## ASX ANNOUNCEMENT

7 August 2014

### **digitalBTC Invests to Expand Bitcoin Mining Capacity**

Digital CC Limited (trading as digitalBTC) (ASX: DCC) (the “Company” or “digitalBTC”) is pleased to announce it has invested US\$1.3 million to expand the Company’s Bitcoin mining capacity, purchasing specialised equipment manufactured by the BitFury Group.

#### **Highlights**

- **Investment will increase digitalBTC’s Bitcoin mining capacity by ~90%**
- **New equipment will be hosted along with existing equipment in Iceland for very low cooling and power costs**
- **Existing equipment remains in operation earning Bitcoins daily, having achieved pay-back of capital and operational costs within only 4 months**

Bitcoin mining is an essential process inside the Bitcoin ecosystem that involves solving complex mathematical equations and thereby verifying Bitcoin transactions on the Bitcoin network. digitalBTC earns Bitcoins that are readily converted into US dollars for providing this service to the network.

This investment follows the Company repaying the capital cost of US\$4 million and all associated operating costs for the initial set of Bitcoin mining equipment within the first four months of operation since March 2014.

digitalBTC’s Executive Chairman, Mr Zhenya Tsvetnenko, said that the re-investment into additional capacity would further increase the company’s revenue from the Bitcoin mining operation as well as its capacity to verify Bitcoin transactions on the Bitcoin network.

“The Company has earned excellent returns from Bitcoin mining operations to date, with a payback period of less than four months for our initial US\$4 million investment. We’ve said we would look to build upon this success in coming quarters and as such it made perfect sense to re-invest in this area, to increase our capacity and stay at the forefront of Bitcoin mining technology,” said Mr Tsvetnenko.

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

-ENDS-

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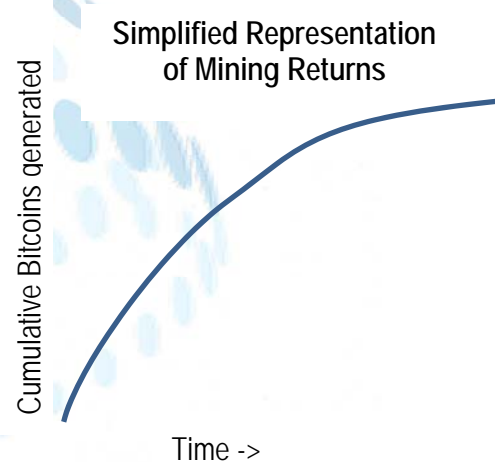
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**Background Briefing – Bitcoin Mining Economic Drivers**

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.

Bitcoin mining economics are primarily driven by two factors – the initial purchase (or capital) cost for the state of the art computing hardware required to verify transactions on the Bitcoin network, followed by the ongoing operating costs for the hardware, the majority of which is power use.

Returns are characterised by initially very rapid daily receipt of bitcoins in return for network transaction verification, with the daily rate then tapering off as network verifications increase in difficulty<sup>1</sup>. At a certain point in the mining equipment life cycle, the daily running costs (primarily power) will exceed the value of bitcoins generated on a daily basis, and the equipment will have reached the end of its useful economic life. This is why newer generation of equipment aim to decrease the chip power consumption.



Payback (on a cash flow basis) will be achieved once the cumulative value of bitcoins received in return for verifying network transactions exceeds both the initial capital cost plus the operating costs incurred to date.

In July 2014, digitalBTC's initial US\$4 million cash investment in top of the line Bitfury Group mining equipment achieved its payback threshold, prior to any additional returns gained from liquidating (reselling) the purchased equipment – i.e. **both** the initial upfront capital cash cost and running costs incurred to date have been exceeded by the cumulative value of bitcoins received for verification operations.

The Company has now re-invested a further US\$1.3 million in mining capacity, again in top of the line Bitfury Group mining equipment.

digitalBTC consistently evaluates the option of either continuing to run the Bitcoin mining equipment to earn new bitcoins, or to seek additional returns from liquidation of the Bitcoin mining hardware prior to the end of its useful life. In the case of liquidation, daily returns (and operating costs) will obviously cease, in favour of a lump sum payment received. The equipment is highly modular in nature, made up of small amounts of processing power within each unit and can be progressively part liquidated as required. digitalBTC will seek to optimise the balance between retention and liquidation, dependant on current daily returns, operating costs and available liquidation prices.

<sup>1</sup> Network difficulty increases are an inbuilt part of the bitcoin protocol and are triggered by increases in verification capacity added to the network, in order to keep the supply of new bitcoins relatively constant