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ANNUAL REPORT



DigitalCC Limited

Innovative Digital Currency Solutions

(formerly Macro Energy Limited)

A.B.N. 59 009 575 035

FOR THE YEAR ENDED 30 JUNE 2014

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Directors

Eugeni 'Zhenya' Tsvetnenko
Executive Chairman

Alex Karis
Managing Director
Chief Executive Officer

William Brindise
Executive Director
Chief Investment Officer

Brett Mitchell
*Non-Executive Director (appointed 5
September 2014)*

Adeniyi 'Emmanuel' Olalekan Abiodun
*Non-Executive Director (resigned 5 September
2014)*

Brett Lawrence
*Non-Executive Director (resigned 5 September
2014)*

Company Secretary

Rachel Jelleff

ABN

59 009 575 035

**Registered Office and Principal Place of
Business**

Level 7, 1008 Hay Street
Perth WA 6000
Tel : +61 (8) 9389 2000
Fax : +61 (8) 9389 2099

Auditor

Deloitte Touche Tohmatsu
Woodside Plaza
Level 14, 240 St Georges Terrace
Perth WA 6000
Tel: +61 (8) 9365 7000
Fax +61 (8) 9365 7001

Stock Exchange Listing

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

Share Registry

Computershare Investor Services Pty Limited
Level 2 Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

GPO Box D182
Perth WA 6840

Telephone: +61 (8) 9323 2000

Facsimile: +61 (8) 9323 2096

Email: perth.services@computershare.com.au

Website www.digitalbtc.com

Dear Shareholder,

On behalf of the Board of Digital CC Limited, I am pleased to present to you the Annual Report for the year ended 30 June 2014.

Through the successful acquisition of the digitalBTC business, your company became the first digital currency focused company to be listed on a major stock exchange. Interest in the digital currencies like Bitcoin continues to grow and in turn, so has the interest in your company and its activities.

This growing interest was reflected in the underlying financial results of the Bitcoin Mining and Trading operating segment for FY14, with revenue of approximately \$4.0 million, EBITDA of approximately \$2.4 million, and underlying NPAT of \$0.5 million. Even more pleasing was that the results were generated just over 3.5 months of significant operations.

Our underlying digital currency results have reflected the potential earning capacity of the business. We see revenues increasing and solid results in the 2015 fiscal year. We believe the level of disclosure and guidance Digital CC releases will lead to a more thorough understanding of the digital currency sector amongst its shareholders and the wider investment community.

Bitcoin mining remains at the core of our business. We continue to see this as an area through which to generate strong returns as this sector revolutionises the way the world thinks about currency transactions.

At the end of the period, we had mined approximately 7,200 bitcoins in just over three and a half months of significant operations, and saw successful payback of our cash investments in Bitcoin mining post financial year end.

We continue to manage our hardware lifecycle, having successfully added additional capacity when needed, as well as beginning to divest equipment where appropriate for the life cycle.

Our Bitcoin Mining activities were supplemented by our Liquidity Desk operations, which have increasingly focused on supply of bulk bitcoin liquidity to other operators in the system.

In addition to Bitcoin, our interest in other emerging digital currencies remains part of our strategy and we believe many of them will experience similar growth rates to Bitcoin, and create additional value opportunities.

The year ahead will see the third element of our business come to fore, with the launch of our digitalX line of consumer products. This will commence with digitalX Pocket, with more to come.

I commend the Company's management team for its hard work throughout the year, having achieved so much in such a short space of time. I look forward to a similar rapid pace of development in the year ahead.

We continue to see the potential for strong growth and higher returns as investor interest evolves, particularly in the Bitcoin mining sector.



Zhenya Tsvetnenko
Executive Chairman

Dear Shareholder,

The financial year ended 30 June 2014 has been an incredible time and has marked a new beginning for Digital CC Limited. The Company began the financial year operating as a traditional energy company and ended as a pioneer in the digital currency industry. I have had the privilege of being a part of this journey and assisting with the Company's transformation and launch. As digital currencies continue to gain momentum, I am confident the journey will be even more exciting, enlightening and rewarding.

The Company now provides the public market an opportunity to invest in a business that holds, trades and develops technologies related to digital currencies. Our belief that the public market was ready to invest in the industry proved right, as seen through our successful capital raising of A\$9.1 million as part of the acquisition of Digital CC Holdings Pty Ltd (trading as digitalBTC).

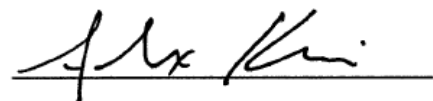
It is my goal to grow Digital CC into a business to consumer digital currency company and develop products that will give consumers the ability to seamlessly exchange digital currency securely and economically.

Bitcoin is currently the only digital currency mined and traded by Digital CC and mining results were impressive for the financial period ended 30 June 2014. Through a US\$4 million cash investment in bitcoin mining hardware in March we mined 7,200 bitcoins to 30 June 2014 making us one of the largest bitcoin holders in Australia.

2015

The momentum we generated in the 2014 fiscal year is carrying forward into 2015. On the mining front, we purchased new mining equipment in August to increase our bitcoin mining capacity by approximately 90%. We are also initiating the sale of cloud mining contracts and the ability to trade the contracts among users in a secondary market. On the retail front, we have several consumer products in development. Our leading project, digitalX Pocket, is a mobile and web-based payment consumer payment platform. This platform will enable instantaneous cross-border digital currency transactions and social media integration.

I am proud of Digital CC's progress and look forward to establishing our Company as a forerunner in the digital currency consumer industry. I truly appreciate your trust and interest in Digital CC's efforts. It is with your continued confidence and involvement that we can continue our compelling journey into the evolving digital currency industry.



Alex Karis
Managing Director and CEO

Introduction

The ASX Listing Rule 4.10.3 requires listed companies to disclose in their Annual Report the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. It is structured along the same lines as the March 2014 ASX *Corporate Governance Principles and Recommendations (3rd Edition)*, with sections dealing in turn with each of the Council's 8 corporate governance principles. All these practices, unless otherwise stated, were in place for the entire year.

Digital CC Limited (the "Company") and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. The Board continues to review the framework and practices to ensure they meet the interests of shareholders, and with reference to Amendments to the Corporate Governance Principles.

The Company's main corporate governance policies and practices as of the date of this Annual Report are outlined below. The Company's full Corporate Governance Plan, including the various codes, policies and charters referred to in this statement, is available in a dedicated corporate governance information section of the Company website www.digitalbtc.com.

1. Lay solid foundations for management and oversight (*Recommendation 1.1, 1.2, 1.3*)

The ASX Corporate Governance Council states that a company should, "recognise and publish the respective roles and responsibilities of board and management." In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

Specifically the Board is responsible for:

- Oversight of the Company, including its control and accountability systems;
- Appointing, monitoring, managing the performance of, and if necessary terminating (the employment of) the Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Chief Technical Officer and the Company Secretary;
- Input, assessment, appraisal and final approval of management's development of corporate strategy and performance objectives;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- Monitoring executives' performance and implementation of strategy, and ensuring appropriate resources are available to undertake those strategies;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- Approving and monitoring financial and other reporting (including audit matters);
- Recruitment, remuneration, performance review and succession plans for the Company Board;
- Approving significant changes to the organisational structure;
- Approving the issue of any shares, options, equity instruments or other securities in the Company, including a Company Share Purchase Plan (if any);
- Ensuring a high standard of corporate governance practice, regulatory compliance and promoting ethical and responsible decision making, including maintaining a Corporate Code of Conduct;
- Recommending to shareholders the appointment or re-appointment of the external auditor as required; and
- Meeting with the external auditor, at their request, without management.

The Board delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which exceed certain defined authority limits require Board approval. The functions reserved to the Board and those delegated to executives is disclosed in the Board Charter which can be found in the Corporate Governance section on the Company website.

Company Secretary Accountability (*Recommendation 1.4*)

The Company Secretary is accountable to the Board on all governance matters, through the Chairman. The role of the Company Secretary includes:

- When requested by the Board, the Company Secretary will facilitate the flow of information between the Board and its Committees and between executives of the Company and Non-Executive Directors.
- There will be a formal induction of each new Director; the Company Secretary is responsible for facilitating each induction.
- The Company Secretary is to facilitate the implementation of board policies and procedures and monitor the adherence by the Board to them.
- The Company Secretary is to provide advice to the Board on corporate governance matters and law.
- The Company Secretary shall in consultation with the Chairman set and maintain a 12 month rolling timetable for Board Meetings.

The Company Secretary is entitled to attend any meeting of Directors and is entitled to be heard of any matter dealt with at any of the meetings of Directors. All Directors have access to the advice and services provided by the Company Secretary. The appointment and removal of the Company Secretary is a matter for decision by the Board as a whole.

Diversity Policy (Recommendation 1.5)

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives. With the numerous changes involved with the acquisition of Digital CC, the Board recognizes the need to diversify the Company at all levels, and is committed to achieving an increase in the diversity of gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity. The Board will report on progress in achieving the Company's diversity goals annually.

Due to the numerous changes to the Board and Company associated with the transition to Digital CC, as well as the size of the entity, the Board has decided not to disclose any measurable diversity objectives at this time. However, as the Company grows, the Board will remain committed to increasing diversity across all levels of the Company.

| | DCC | |
|-------------------|--------|------|
| | Female | Male |
| Board | - | 4 |
| Executives | - | 2 |
| Group | 5 | 4 |

The Board considers the Group's executives to consist of the Company's key management personnel.

Performance Evaluation (Recommendation 1.6, 1.7)

As disclosed in the Nomination Committee section of this Corporate Governance Statement, the Board decided that the Company will not have a separate Nomination Committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee. A full summary of these responsibilities is available on the Company website contained in the Nomination Committee Revision section. The Board anticipates the formation of a separate Nomination Committee within the next six months.

Due to the size of the Board and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of individuals. The Chairman conducts an informal review annually whereby he has discussed with individual directors and executives their attitude, performance and approach toward meeting the short and long term objectives of the Company. The Board considers that at this stage of the Company's development an informal process is appropriate.

At such a time when the Nomination Committee has been formed separately from the Board, the committee will arrange a performance evaluation of the Board, its Committees and its individual Directors on an annual basis. To assist in this process an independent advisor may be used.

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When formed, the Nomination Committee will conduct an annual review of the role of the Board, assess the performance of the Board over the previous 12 months and examine ways of assisting the Board in performing its duties more effectively. The review will include:

- comparing the performance of the Board with the requirements of its Charter;
- examination of the Board's interaction with management;
- the nature of information provided to the Board by management; and
- management's performance in assisting the Board to meet its objectives.

A similar review will be conducted for each Committee by the Board with the aim of assessing the performance of each Committee and identifying areas where improvements can be made.

Due to the numerous changes of the Board and the Company, an evaluation of the Board in accordance with the process detailed above has not been undertaken in the past financial year.

The Board will oversee the performance evaluation of the executive team. This evaluation is based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel.

The Board as a whole conducts an informal performance evaluation of the individual Directors (excluding that Director) on an annual basis. To assist in this process an independent advisor may be used. This process for evaluating the Board and its individual Directors is contained in the Disclosure – Performance Evaluation section on the Company website.

Due to the numerous changes of the Board and the Company, an evaluation of executives in accordance with the process detailed above has not been undertaken in the past financial year.

2. Structure the Board to add Value

The ASX Corporate Governance Council states that a company should, "have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties." Digital CC's Board is so structured, and its Directors have adequately discharged their responsibilities and duties to the benefit of shareholders.

A fundamental requirement for the Digital CC Board is a deep understanding of investment, managing businesses and financial markets. All board members throughout the year met this requirement, and brought a diverse range of skills, and backgrounds to the Board. The experience and qualifications of each Board member and their terms of office are set out in the Directors' Report.

Digital CC Directors may seek external professional advice at the expense of the Company on matters relating to their role as Directors of Digital CC. However, they must first request approval from the Chairman, which must not reasonably be withheld. If withheld then it becomes a matter for the whole Board.

Directors must keep the Board advised, on an ongoing basis, of any interests which could potentially conflict with any of those of the Company. Where the Board believes that a significant conflict exists for a Director on a board matter, the Director concerned is not present at the meeting while the matter is being considered.

Nomination Committee (Recommendation 2.1, 2.2)

During the current financial year, the Board decided that the Company will not have a separate Nomination Committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee. A full summary of these responsibilities is available on the Company website contained in the Nomination Committee Revision section.

In the next twelve months, the Board anticipates the formation of a Nomination Committee separate from the Board, comprised of at least three Non-Executive Directors, the majority of whom shall be independent, one of whom will be appointed the Committee Chairman (it is preferable that the Chairman of the Board of Directors does not chair this committee). At such a time when a Nomination Committee is formed, the Board shall be able to appoint additional Non-Executive Directors to the Committee or remove and replace members of the Committee by resolution.

The primary purpose of the Nomination Committee will be to support and advise the Board on:

1. maintaining a Board that has an appropriate mix of skills and experience to be an effective decision-making body; and
2. ensuring that the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.

When a new Director is to be appointed, the Board will review the range of skills, experience and expertise on the Board, identify its needs and prepare a short-list of candidates with appropriate skills and experience. Where necessary, advice will be sought from independent consultants. The Board may then appoint the most suitable candidate who must stand for election at the next annual general meeting of the Company.

Digital CC has in place a process to educate new Directors about every aspect of its business. New Directors meet with management to gain a thorough understanding of the business, including background information vital to the business, corporate strategy, security policies and procedures, review of the competitive landscape, corporate opportunities (products and services) and the culture and values of the Company. In addition, Directors are educated regarding meeting arrangements, interaction among Board members and expectations concerning their performance. Directors are also encouraged to visit corporate facilities to gain a deeper understanding of business operations.

Retirement and rotation of Directors shall be governed by the Corporations Act 2001 and the Constitution of the Company. Each year one third of the Directors must retire and offer themselves for re-election.

Independence and the Chairperson (Recommendations 2.3, 2.4 and 2.5)

ASX Corporate Governance Recommendation 2.4 states that a majority of a listed entity should be independent Directors. (An independent Director is one who is independent of management and free from any business or other relationship, which could, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. Independent Directors should meet the definition of what constitutes independence as set out in the Australian Stock Exchange Limited (ASX) Corporate Governance Guidelines as explained in Annexure A). Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or 5% of the individual directors' net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the Director's performance.

Due to the transition from Macro Energy to Digital CC in June 2014, as well as an overhaul of the Board and Directors, the current Board of Digital CC has only one Independent Director.

The Directors consider that the current structure of the Board is appropriate, with the new business acquired by the Company necessary for the growth of the business of the Company. The Board is committed to considering the structure of the Board at regular intervals to determine what is appropriate for the Company at that time, and the Board remains committed to fulfilling ASX Recommendation 2.4 in the near future. The Board holds a similar approach to ASX Recommendation 2.3, which requires the Board to disclose the names, interests, and length of service of any Directors that the Board considers to be independent. At such a time when the Board appoints an Independent Director, the Company shall disclose the necessary information, and those Directors who are considered to be independent shall complete a checklist to document their independence.

In compliance with ASX Recommendation 2.5, the Chairman of the Board is not the same person as the CEO of the Company. Mr Alex Karis is the Managing Director and CEO of the Company. Mr Zhenya Tsvetnenko is the Executive Chairman. However, Mr Tsvetnenko is also a substantial holder of the Company and is not considered to be independent, as Recommendation 2.5 requires in order to be fulfilled entirely. As stated above, due to the new business acquired by the Company, the Directors consider that the current structure of the Board is appropriate. To this end, the Company considers that the appointment of Mr Tsvetnenko as Executive Chairman to the Company is appropriate, given the skills and expertise of Mr Tsvetnenko and his importance to the ongoing development and growth of the business of the Company.

3. Promote ethical and responsible decision making

The ASX Corporate Governance Council states that a company should, “actively promote ethical and responsible decision making”. The Company has a formally adopted Code of Conduct. The Code of Conduct was based on respect for the law and acting accordingly, dealing with conflicts of interest appropriately, and ethical matters such as acting with integrity, exercising due care and diligence in fulfilling duties, acting in the best interests of the Company and respecting the confidentiality of all confidential information.

Digital CC also has a documented Share Trading Policy for Directors and employees. The policy prohibits short term trading in the Company’s securities, and Directors and employees are prohibited from dealing in the Company’s securities whilst in possession of price sensitive information. In addition, Directors and executives are at all times prohibited from dealing in DCC securities for:

- each period of 1 week before and one business day after each date upon which DCC gives to the ASX its quarterly, half yearly or annual report.
- two weeks before lodgement and during the period that a disclosure document including a prospectus is open for applications, except to the extent that a Director or employee is applying for securities pursuant to that disclosure document.

All employees must observe the Company’s Share Trading Policy. In conjunction with the legal prohibition on dealing in the Company’s securities when in possession of unpublished price sensitive information, the Company has established specific time periods when Directors, executives and employees are permitted to buy and sell the Company’s securities.

The Code of Conduct and Share Trading Policy are available on the Company website.

4. Safeguard integrity in financial reporting

The ASX Corporate Governance Council states that a company should, “have a structure to independently verify and safeguard the integrity of the Company’s financial reporting.” Digital CC believes that it has appropriate measures in place which includes the Managing Director (or Chairman in lieu of the position being vacated), Company Secretary and Chief Financial Officer providing letters of assurance to the Board for the accounts, engagement of an external auditor, rotation of the engagement audit partner, and a risk management plan in place.

Audit and Risk Committee (Recommendation 4.1)

The Company is not one of the S&P All Ordinaries Top 300 Companies and as such is exempt under ASX Listing Rule 12.7 from maintaining an Audit Committee and thus compliance with Recommendation 4.1.

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company’s operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company’s internal financial control system and risk management systems and the external audit function. A full summary of these responsibilities is available on the Company website contained in the Audit and Risk Committee Charter section.

The Board’s collective experience will enable accurate identification of the principal risks that may affect the Company’s business. Key operational risks and their management will be recurring items for deliberation at board meetings.

CEO and CFO Declaration (Recommendation 4.2)

The Board, before it approved the entity’s financial statements for this financial period, has received from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

External Auditors (Recommendation 4.3)

The Company requires external auditors to demonstrate quality and independence. The performance of the external auditor is reviewed and applications for tender of external audit services requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

Shareholders meetings represent a good opportunity for shareholders to meet with the Board of Digital CC and the external auditor. The external auditor is requested to attend each Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Deloitte Touche Tohmatsu are the appointed external auditors. It is Deloitte Touche Tohmatsu's policy to rotate audit engagement partners on listed companies at least every 5 years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 30 June 2014.

5. Make timely and balanced disclosure

Digital CC is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an informed market. In accordance with continuous disclosure requirements under the ASX Listing Rules, the Company has documented procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner, including changes in Directors' interests in the Company.

The ASX Corporate Governance Council states that a company should, "promote timely and balanced disclosure of all material matters concerning the Company." As the Company is admitted to ASX's Official List, the Company is a "disclosing entity" (as defined in Section 11AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information is publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants is also managed through disclosure to the ASX. In addition, the Company posts this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

The Continuous Disclosure Policy is available on the Company website.

6. Respect the rights of shareholders

The ASX Corporate Governance Council states that a company should, "respect the rights of shareholders and facilitate the effective exercise of those rights".

The Company is committed to the empowerment of shareholders by:

- Communicating effectively with them;
- Giving them ready access to balanced and understandable information about the Company and corporate proposals; and
- Making it easy for them to participate in general meetings.

Effective shareholder communication is primarily about the empowerment of shareholders. The Company will communicate to shareholders in a timely and balanced fashion through:

- the Company's website, www.digitalbtc.com on which the Company posts all disclosures and announcements which it makes to ASX;
- the quarterly reports (where required) to the ASX which are placed on the Company's website;
- the Company's Annual Report delivered by electronic post, and also placed on the Company's website;
- notices and explanatory memorandum of the Company's annual general meetings (AGM) and extraordinary general meetings (EGM), copies of which are placed on the Company's website;
- the Chairman's address and the Chief Executive Officer's address made at the AGM's and the EGM's, copies of which are placed on the Company's website;

- the auditor's lead engagement partner being present at the AGM to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report; and
- electronic distribution of information through email communication.

Shareholders can register with the Company Secretary to receive email notifications when an announcement is made by the Company to ASX, including the release of the annual, half yearly and quarterly (where required) reports to the ASX. Links are made available to the Company's website on which all information provided to ASX is immediately posted.

The Company will review its website on an ongoing basis to identify ways in which it can promote its greater use by shareholders and make it more informative. At least three historical years of the Company's Annual Report will be provided on the Company's website.

Shareholders queries should be referred to the Chairman in the first instance.

In addition to a documented procedure for continuous disclosure, Digital CC maintained a website throughout the year which provided access to all recent ASX announcements, recent disclosure documents (e.g. prospectuses, notice of meeting explanatory memorandums, annual reports) and key contact details. A Shareholders Communications Strategy to promote effective communication with shareholders and encourage shareholder participation at AGM's has also been adopted and is available on the Company website.

7. Recognise and manage risk

The ASX Corporate Governance Council states that a company should, "establish a sound system of risk oversight and management and internal control". The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company. The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can be effectively managed or mitigated may be limited.

The Company will not have a separate Risk Committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee. A full summary of these responsibilities is available on the Company website contained in the Audit and Risk Committee Charter and Risk Management Policy sections.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Digital CC maintains documented policies for identifying, assessing and monitoring risk. The Company utilises measures including formal authority limits for management to operate within. The risks for the Company continue to be regularly monitored and management has regularly appraised the Board as to the effectiveness of the Company's management of its material business risks. All proposals reviewed by the Board include a consideration of the issues and risks of the proposal. The potential exposures associated with running the Company have been managed by the Directors and Company Secretary who combined have significant broad-ranging industry experience.

The Managing Director, Company Secretary and Chief Financial Officer provide a written declaration to the Board in relation to each six-month reporting period that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The Board as a whole closely monitor and review all aspects of the finance function to gain assurance as to the integrity of the financial reporting process and ensure the maintaining of sound internal control systems.

In the course of its formal and informal discussions, the Board as a whole will review and comment upon the Company's existing investments as well as new investment opportunities that may be presented to the Company.

The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board's collective

experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls;
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practises are in place that are directed towards achieving the following objectives:

- compliance with applicable laws and regulations;
- preparation of reliable published financial information; and
- implementation of risk transfer strategies where appropriate e.g. insurance.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. At such a time when a separate Audit and Risk Committee is formed, management will be required to assess risk management and associated internal compliance and control procedures and report back at least annually on this specific matter to the Audit and Risk Committee.

The Board will review assessments of the effectiveness of risk management and internal compliance and control on at least an annual basis.

The Company has developed a series of operational risks which the Company believes to be inherent in the industry in which it operates. These include:

- Increased regulation around the use and trading in digital currencies
- Lack of adoption of digital currencies
- Unexpected costs associated with the commercialisation of digital currency related products
- Theft and security of digital currencies
- Protection of technology rights
- Fluctuations in pricing of digital currencies
- Capital requirements

8. Remunerate fairly and responsibly

The ASX Corporate Governance Council states that a company should, "ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined". A discussion about the Digital CC policy, along with all remuneration for Directors and executives can be found in the Directors' Report.

Remuneration Committee (Recommendation 8.1)

The Company is not currently considered to be of a size, nor are its affairs of such complexity to justify the establishment of a separate Remuneration Committee. Accordingly, all matters related to remuneration are dealt with by the full Board. A full summary of these responsibilities is available on the Company website contained in the Remuneration Committee Revision section.

Remuneration Policy (Recommendation 8.2)

The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process.

The total maximum remuneration of Non-Executive Directors is set in accordance with the Constitution and subsequent variation is by ordinary resolution of Shareholders in a General Meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the

inputs and value to the Company of the respective contributions by each Non-Executive Director. The current amount has been set at an amount not to exceed \$250,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties, or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans, including the appropriateness of performance hurdles and total payments proposed, ensuring shareholder approval is granted where required.

Non-Executive Directors

Non-Executive Directors receive fees which are determined by the Board within the aggregate limit set by the shareholders at a General Meeting. All Non-Executive Directors will receive remuneration by way of fees and receive no retirement benefits.

Non-Executive Directors may receive options. The issue of options to Non-Executive Directors is considered an appropriate method of providing sufficient incentive and reward whilst maintaining cash reserves.

Executive Directors and Executives

Executive Directors' and executives' remuneration is considered to properly reflect the person's duties and responsibilities, and takes account of remuneration levels across the sector.

Mr Zhenya Tsvetnenko has in place (since 4 June 2014) an employment agreement for the role of Executive Chairman.

Mr Alex Karis has in place (since 4 June 2014) an employment agreement for the role of Chief Executive Officer and Managing Director.

Mr Mark Laybourn has in place (since 4 June 2014) an employment agreement for the role of Chief Financial Officer.

Mr Fabricio Rodriguez has in place (since 4 June 2014) an employment agreement for the role of Chief Technology Officer.

Mr William Brindise has in place (since 4 June 2014) an employment agreement for the role of Chief Investment Officer.

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 Digital CC Limited (Digital CC or the Company) (formerly Macro Energy Limited) and the entities it controlled at the end of, or during, the year ended 30 June 2014. Information contained within this report and the financial report is presented in United States dollars (US\$).

Directors

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

Mr Eugeni 'Zhenya' Tsvetnenko, Executive Chairman
Appointed 5 June 2014

Mr Tsvetnenko is the founding director and majority shareholder of Digital CC Limited. He has over 8 years' experience in mobile premium 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. In 2009 Mr Tsvetnenko debuted on the BRW Young Rich list which estimated his wealth at \$107 million.

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

Interests in shares and options

3,750,000 Fully Paid Ordinary Shares
38,750,411 Fully Paid Ordinary Shares – Escrowed until 16 June 2016
7,787,767 Performance Rights Class A – Escrowed until 16 June 2016
3,893,883 Performance Rights Class B – Escrowed until 16 June 2016
2,495,013 Unlisted Options exercisable at \$0.28 each expiring 5 June 2016 – Escrowed until 16 June 2016

Mr Alex Karis, CEO/Managing Director
Appointed 5 June 2014

Mr Karis is President and founder of Karis Holdings Inc (doing business as "KMG"- Karis Marketing Group), one of the leading US digital marketing companies, providing 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, online display and mobile content space, managing projects for a number of Fortune 500 companies.

Mr Karis holds a bachelor degree in Fine Arts from The University of Massachusetts Amherst. Mr Karis is not and has not been a director of any other ASX listed company for the previous three years.

Interests in shares and options

750,000 Fully Paid Ordinary Shares
19,764,200 Fully Paid Ordinary Shares – Escrowed until 16 June 2016
3,972,061 Performance Rights Class A – Escrowed until 16 June 2016
1,986,031 Performance Rights Class B – Escrowed until 16 June 2016
2,495,013 Unlisted Options exercisable at \$0.28 each expiring 5 June 2016 – Escrowed until 16 June 2016

Mr William Brindise, Executive Director and Chief Investment Officer
Appointed 5 June 2014

Mr Brindise has over 15 years' experience in trading energy, metal and grain options and futures. He started 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.

Mr William Brindise (continued)

Mr Brindise managed \$20 million and returned an annualised rate of 60% on those funds. Soon after he started his own proprietary trading desk and turned a \$175,000 investment into \$1.6 million in under a year. Mr Brindise will continue to oversee proprietary trading desk operations and is now focusing on trading Bitcoins at Digital CC.

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

Interests in shares and options

1,178,375 Fully Paid Ordinary Shares
11,421,522 Fully Paid Ordinary Shares - Escrowed until 16 June 2016
2,295,411 Performance Rights Class A - Escrowed until 16 June 2016
1,147,705 Performance Rights Class B - Escrowed until 16 June 2016
1,663,342 Unlisted Options exercisable at \$0.28 each expiring 5 June 2016 - Escrowed until 16 June 2016

Mr Brett Mitchell, Non-Executive Director

Appointed 5 September 2014

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 will be involved with the corporate strategy of the business in his new role as a Director.

During the past three years, Mr Mitchell has held directorships in the following ASX listed companies:

Erin Resources Limited (4 April 2013 – current)
Tamaska Oil and Gas Limited (1 August 2011 – current)
Citation Resources Limited (24 November 2011 – current)
Wildhorse Energy Limited (22 April 2009 – 29 August 2014)
Transerv Energy Limited (24 July 2006 – 19 August 2013)
Quest Petroleum NL (21 May 2007 – 5 June 2013)

Interests in shares and options

76,401 Fully Paid Ordinary Shares
300,000 Unlisted Options exercisable at \$0.286 each expiring 30 June 2017

Mr Brett Lawrence, Managing Director 21 March 2013 - 5 June 2014

Non-Executive Director 5 June 2014 - 5 September 2014

Mr Lawrence became Managing Director of the Company when he joined in March 2013. Mr Lawrence was instrumental in the substantial restructuring of the Company's management team and capital profile in 2013, as the Company began seeking high quality and value adding investment opportunities. Prior to joining, Mr Lawrence worked with Apache Energy for over eight years where he performed various roles such as drilling engineering, reservoir engineering, project development and most recently commercial management. Upon completion of the transaction to Digital CC, Mr Lawrence transitioned from Managing Director to the role of Non-Executive Director and subsequently resigned on 5 September 2014.

Mr Lawrence holds a Master of Petroleum Engineering, Bachelor of Engineering (Mining) and Bachelor of Commerce (Finance) from Curtin University in Western Australia. Mr Lawrence is not and has not been a director of any other ASX listed company.

Interests in shares and options

291,630 Fully Paid Ordinary Shares as at resignation date
1,574,803 Unlisted Options exercisable at \$0.286 expiring 30 June 2017 as at resignation date

Mr Adeniyi Olalekan 'Emmanuel' Abiodun, Non-Executive Director

Appointed 5 June 2014 and Resigned 5 September 2014

Mr Abiodun graduated from Queen Mary University of London in 2005 with a degree in Electronic Engineering. He worked in the oil and gas industry as a software consultant before plying his trade in the Investment Banking world. Mr Abiodun held positions at JP Morgan & HSBC investment banks, where he advanced his knowledge of finance & financial systems.

He has been intimately involved with Bitcoin since 2010 and launched and controls Bitcoin mining company, Technology IQ Limited (which trades under the name 'CloudHashing'). Mr Abiodun controls Technology IQ Limited through his shareholding and board position in that entity and joins the Digital CC Board, bringing his vast experience in Bitcoin and the Bitcoin mining space. Mr Abiodun is not and has not been a director of any other ASX listed company.

Interests in shares and options

1,000,000 Fully Paid Ordinary Shares

12,414,698 Fully Paid Ordinary Shares - Escrowed until 16 June 2016

2,495,013 Performance Rights Class A - Escrowed until 16 June 2016

1,247,507 Performance Rights Class B - Escrowed until 16 June 2016

1,663,342 Unlisted Options exercisable at \$0.28 each expiring 5 June 2016- Escrowed until 16 June 2016

Mr. Mark Freeman CA, Non-Executive Director

Appointed 22 October 2010 and Resigned 5 June 2014

Mr Freeman has more than 17 years' experience in corporate finance and the resources industry. He has extensive experience in strategic planning, business development, acquisitions and mergers, particularly in oil and gas, as well as general project management. Mr Freeman is a graduate of the University of Western Australia with a Bachelor of Commerce with a double major in Banking & Finance and Accounting. He also holds a Graduate Diploma in Applied Finance with a major in Corporate Finance from the Financial Services Institute of Australasia.

During the past three years, Mr Freeman has held directorships in the following ASX listed companies:

Tamaska Oil and Gas Limited (24 March 2014 – current)

Grand Gulf Energy Limited (27 October 2010 – current)

OGI Group Ltd (4 July 2014 – current)

Quest Petroleum NL (7 April 2008 – 24 November 2011)

Interests in shares and options

8,535 Fully Paid Ordinary Shares as at resignation date

Mr Scott Jones, Non-Executive Director

Appointed 21 March 2013 and Resigned 5 June 2014

Mr Jones is a Global CEO for SAE, a division of Navitas (ASX: NVT). He has extensive commercial and management experience, previously holding positions with Coca-Cola Amatil, Lloyds of London Press and Mars Corporation. Mr Jones was on the Board of listed integrated financial services provider Yellow Brick Road (ASX: YBR) in the capacity of Non-Executive Director from July 2007 to July 2014.

Interests in shares and options

2,255,944 Fully Paid Ordinary Shares as at resignation date

349,956 Unlisted Options exercisable at \$0.286 expiring 30 June 2017 as at resignation date

Company Secretary

Miss Rachel Jelleff, held the position of Company Secretary of Digital CC Limited at the end of the financial year. Miss Jelleff has 5 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. Miss Jelleff is also Company Secretary of Erin Resources Limited.

Principal activities

There has been a significant change in the nature of the Group's principal activities during the year as a result of the transaction between Digital CC Limited (formerly Macro Energy Limited) and Digital CC Holdings Pty Ltd as outlined in Note 23 of the consolidated financial report. The consolidated entity's principal activities in the period post acquisition of Digital CC Holdings was, Bitcoin mining, trading and the development of consumer applications.

Environmental regulation

The consolidated 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 19 July 2013, the Company name changed from Verus Investment Limited to Macro Energy Limited.

On 12 August 2013, the Company announced it was undertaking a renounceable entitlement issue of 2 Shares for every 1 Share held by those Shareholders registered at the Record Date at an issue price of 1.8 cents per Share to raise up to \$2,611,292 before costs. The Offer was underwritten up to \$2,381,908.

On 13 March 2014, the Company announced that it has entered into a Share Purchase Agreement to complete a reverse takeover acquisition of Digital CC Holdings Pty Ltd, trading as digitalBTC. A capital raising of approximately \$9.1 million was completed on 6 June 2014 as part of the terms of the acquisition. As a part of the transaction:

- The Company provided Digital CC Holdings Pty Ltd with a loan facility of up to \$2 million to enable Digital CC Holdings Pty Ltd to immediately acquire new Bitcoin mining hardware as a key part of its current business plan and under strategic supplier arrangements.
- The Company undertook a consolidation of its capital at a ratio of 5.715:1 to meet ASX Listing Rule requirements.

On 28 April 2014, the Company announced the resignation of Ms Sylvia Moss as the Company Secretary, replaced by Miss Rachel Jelleff effective on the date of the announcement.

On 9 May 2014, the Company formally changed its name to Digital CC Limited (formerly Macro Energy Limited). The Company's ASX ticker code was changed to DCC on 3 June 2014.

On 20 May 2014, the Company announced that as a part of the Company's re-compliance for the acquisition of Digital CC Holdings Pty Ltd and subsequent reinstatement on the ASX, the 5.715:1 consolidation of the Company's securities was completed. On 22 May 2014, the Company dispatched new holding statements to existing shareholders.

On 5 June 2014, Mr Brett Lawrence formally stepped down as the Managing Director and Chairman of the Company, and was appointed as a Non-Executive Director of the Company, in compliance with the terms of the acquisition.

On 5 June 2014, the following appointments were made in accordance with the terms of the acquisition:

| Name of Director or Executive | Position Appointed |
|-------------------------------|--------------------------|
| Mr Zhenya Tsvetnenko | Executive Chairman |
| Mr Alex Karis | Chief Executive Officer |
| Mr Mark Laybourn | Chief Financial Officer |
| Mr William Brindise | Chief Investment Officer |
| Mr Fabricio Rodriguez | Chief Technical Officer |
| Mr Emmanuel Abiodun | Non-Executive Director |

On 5 June 2014 the Company announced the resignation of Mr Scott Jones as a Non-Executive Director.

On 5 June 2014 the Company announced the resignation of Mr Mark Freeman as a Non-Executive Director.

On 6 June 2014, Digital CC Limited (formerly Macro Energy Limited) completed the acquisition of Digital CC Holdings Pty Ltd (Digital CC Holdings) (Acquisition).

The Acquisition has been accounted for by analogy to the guidance for reverse acquisitions in AASB 3 *Business Combinations* because, as a result of the Acquisition, the former shareholders of Digital CC Holdings (the legal subsidiary) obtained accounting control of Digital CC (the legal parent).

The Acquisition did not meet the definition of a business combination in accordance with AASB 3 *Business Combinations* as Digital CC was deemed for accounting purposes not to be a business and, therefore, the transaction is not a business combination within the scope of AASB 3. Instead the Acquisition has been accounted for as a share-based payment transaction using the principles of share based payment transactions in AASB 2, and in particular the guidance in AASB 2 that any difference in the fair value of the shares issued by the accounting acquirer (Digital CC Holdings) and the fair value of the accounting acquiree's (Digital CC (formerly Macro Energy Limited) identifiable net assets represents a service received by Digital CC Holdings, including payment for a service of an ASX stock exchange listing.

The overall effect of the accounting treatment for the Acquisition is, the Directors' Report reflects the financial year from 1 July 2013 to 30 June 2014, however the financial report and the accompanying notes reflect the period 1 January 2014 to 30 June 2014 (the reporting period for Digital CC Holdings Pty Ltd, the accounting acquirer).

Review of Operations

The purpose of this review is to set out information that shareholders may require to assess Digital CC Limited's operations, financial position and business strategies and prospectus for future financial years. This information complements and supports the Financial Report presented herein.

Disclosure of Operations

Digital CC Limited is principally involved in the following activities:

- a) Bitcoin mining
- b) Bitcoin trading and the operation of a liquidity desk
- c) Development of retail based consumer applications for digital currencies.

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

Financial Review

| | US\$ |
|-----------------------------------------------------------------|------------|
| Revenue from ordinary activities | 3,959,558 |
| Loss from ordinary activities after tax attributable to members | 11,216,375 |
| Net loss for the period attributable to members | 11,216,375 |

The consolidated loss after tax for the period ended 30 June 2014 was US\$11,216,375. The loss is impacted mainly by the non-cash accounting expense for the acquisition of Digital CC Holdings Pty Ltd (Digital CC Holdings or digitalBTC) of US\$10,918,065. Refer to Note 23 of the notes to the financial statements for an explanation of the accounting treatment for the acquisition.

Underlying Bitcoin mining and trading business performance for the period 28 January 2014 to 30 June 2014:

| | | US\$ |
|------------------------------------------------------------|--------|-----------|
| Earnings before interest tax depreciation and amortisation | EBITDA | 2,351,779 |
| Net Profit After Tax | NPAT | 491,698 |

For a reconciliation to the statutory result refer to Segment Note 6 to the notes to the financial statements.

The Directors of Digital CC Limited are pleased with the underlying performance of the Bitcoin mining and trading business considering significant time and expense was incurred with the merger of Digital CC Holdings and Digital CC Limited during the period.

The statutory accounting result for the period is a net loss after tax of US\$11,216,375, primarily driven by significant non-cash one-off reverse takeover related expense of US\$10,918,065.

The underlying digital currency business, as detailed in the "Bitcoin mining and trading operations" segment report (refer to Note 6) has delivered strong performance over only 3.5 months of significant operations, with revenue of ~US\$4.0 million and an underlying Net Profit After Tax (NPAT) of approximately US\$0.5 million. The Company believes the results of this segment are indicative of the Company's future results, with reverse takeover and one-off transaction costs not being repeated.

Bitcoin Mining is currently the principal revenue and earnings generator for the business, representing the majority of the "Bitcoin mining and trading operations" segment result.

As at 30 June 2014 the Company had invested US\$4 million in mining hardware, with the investment achieving pay-back of both capital and operational costs within 4 months in July 2014. Post year end, the Company invested further into Bitcoin mining activities with the purchase of approximately US\$1.3 million of additional 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 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 and selling) and lending continue to generate good returns. The Company's capital and coins are allocated to the most compelling opportunities, which are assessed in real time on a risk reward basis. In line with the pursuit of opportunities to provide liquidity for commercial bitcoin enterprises, digitalBTC has now significantly expanded its strategic partners and volume into the new financial year.

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 research and development on a number of innovative methods to tie together the security and ease of use within one product. 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 in early 2015.

The Bitcoin mining and trading business of digitalBTC was acquired on 6 June 2014, after having been previously announced to the ASX 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 increase in the non-cash accounting expense of the acquisition, which was required to be expensed, producing a non-cash accounting related charge of approximately \$US11 million. Significant additional one off transaction related costs were also incurred, bringing the total accounting losses outside the "Bitcoin mining and trading operations" segment to US\$11,708,073.

The net assets of the consolidated group as at 30 June 2014 were US\$10,663,969 which includes US\$4,574,582 of cash and US\$2,324,437 of bitcoins.

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, operating results, the 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 23 July 2014, the Company received a full refund of US\$600,000 for a security deposit relating to the recent US Marshalls service auction of bitcoin.

On 7 August 2014, the Company announced an investment of US\$1.3 million to expand the Company's Bitcoin mining capacity, purchasing specialised equipment manufactured by the BitFury Group. The investment is expected to increase the Company's Bitcoin mining capacity by approximately 90%.

On 5 September 2014, the Company announced the resignation of Mr Brett Lawrence as a Non-Executive Director.

On 5 September 2014, the Company announced the resignation of Mr Adeniyi Olalekan 'Emmanuel' Abiodun as a Non-Executive Director.

On 5 September 2014, the Company announced the appointment of Mr Brett Mitchell as an Independent Non-Executive Director.

On 8 September 2014, the Company announced it has leased 11% of its first generation mining capacity to PeerNova Inc., for an upfront payment of US \$460,000.

On 17 September 2014, the Company announced the formation of a joint venture with the owners of the leading digital currency trading site Cryptsy.com, to provide various crypto-currency mining services to digital currency users. As part of the deal US\$250,000 of the Companies shares, at a valuation of AU\$0.30 per share, will also be issued to the owners of Cryptsy.

In the opinion of the Directors, apart from the disclosures above, there were no other matters or circumstances that have arisen since 30 June 2014 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

Digital CC is aiming, subject to the risk of development programs being unsuccessful, to complete the development of the following consumer based products during the first quarter of the 2015 calendar year:

- **digitalX Pocket**
The digitalX Pocket, the "wallet" is a proposed consumer product that facilitates both digital and real world purchases using digital currency (such as Bitcoin, Litecoin, etc.) through both a mobile and web application.
- **digitalX Direct**
The digitalX Direct API (application programming interface) is proposed to enable third party developers to integrate digitalBTC's liquidity operations into their applications.

In addition to internal developments, Digital CC remains open to the consideration of existing businesses that may be complementary to or may enhance the existing assets and business of Digital CC. To this end, Digital CC continues to consider businesses which may fit within these parameters, and may undertake new acquisitions as and when opportunities arise.

Digital CC considers that digital currencies are the future of conducting transactions and purchases digitally, and has adopted the "first mover" strategy with digital currencies. As new and/or alternative digital currencies become available, Digital CC may adapt to integrate these new technologies. However, though Digital CC has interests in other digital currencies and in the long term, other digital currencies may take precedence, its primary focus is Bitcoin.

Further information on likely developments in the operations of the consolidated group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated group.

Remuneration Report (audited)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Digital CC Limited's Directors and its executives for the financial year ended 30 June 2014, 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, Executives and Company Secretary. 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

- Z Tsvetenko - Executive Chairman (*appointed 5 June 2014*)
- A Karis – *Managing Director (appointed 5 June 2014)*
- B Lawrence – *Managing Director (resigned 5 June 2014), Non-Executive Director (appointed 5 June 2014 resigned 5 September 2014)*
- W Brindise – *Executive Director (appointed 5 June 2014)*
- B Mitchell – *Non-Executive Director (appointed 5 September 2014)*
- A Abiodun – *Non-Executive Director (appointed 5 June 2014 resigned 5 September 2014)*
- S Jones – *Non-Executive Director (resigned 5 June 2014)*
- M Freeman – *Non-Executive Director (resigned 5 June 2014)*

Executive Officers

- M Laybourn – *Chief Financial Officer (appointed 5 June 2014)*
- F Rodriguez – *Chief Information Officer (appointed 5 June 2014)*
- R Jelleff – *Company Secretary (appointed 28 April 2014)*
- S Moss – *Company Secretary (resigned 28 April 2014)*

(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.

Executives are offered a competitive salary that comprises a base salary inclusive of superannuation and potential participation in the bonus pool.

Equity based payments

There is no entitlement to equity based remuneration except for the options and performance shares issued as part of the acquisition of Digital CC Holdings Pty Ltd, refer to note 20 for further details.

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 2015.

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 to for payment to Directors and management in accordance with the then/current bonus scheme of the Company/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.

There was no agreed FY Performance Goal for the period ended 30 June 2014 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 period ended 30 June 2014:

| | June 2014 \$ |
|-----------------------------------------------------------|-----------------|
| Revenue and other income | 4,409,335 |
| Net (loss)/profit after tax | (11,216,375) |
| Share Price at start of year | 0.05 |
| Share price at end of year | 0.37 |
| Final dividend | - |
| Basic and diluted loss per share (cents per share) | (0.117) |

(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 Zhenya Tsvetnenko

Under an Executive Employment Agreement entered into between Mr Tsvetnenko and Digital CC, Mr Tsvetnenko is appointed as Executive Chairman of Digital CC, in effect from 5 June 2014. The Employment will be ongoing until it is terminated in accordance with Mr Tsvetnenko's Executive Employment Agreement. Mr Tsvetnenko's Employment may be terminated by either party giving one (1) month written notice (although less than 1 month notice is required by Digital CC in certain circumstances such as Mr Tsvetnenko's illness, absence, material breaches or misconduct in which case Mr Tsvetnenko will not be entitled to receive any termination payment in lieu or compensation). Mr Tsvetnenko is entitled to a 12 month termination payment in certain circumstances.

Mr Tsvetnenko's salary is USD \$400,000 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. Additionally, Mr Tsvetnenko will be eligible to participate in Digital CC's bonus scheme to receive up to 30% of the available performance targets.

Mr Alex Karis

Under an Executive Employment Agreement entered into between Mr Karis and Digital CC, Mr Karis is appointed as Chief Executive Officer of Digital CC, in effect from 5 June 2014. The Employment will be ongoing until it is terminated in accordance with Mr Karis' Executive Employment Agreement. The Employment may be terminated by either party giving one (1) month written notice (although less than 1 month notice is required by Digital CC in certain circumstances such as Mr Karis' illness, absence, material breaches or misconduct in which case Mr Karis will not be entitled to receive any termination payment in lieu or compensation). Mr Karis is entitled to a 12 month termination payment in certain circumstances.

Mr Karis' salary will be USD \$375,000 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. Additionally, Mr Karis will be eligible to participate in Digital CC's bonus scheme to receive up to

30% of the bonus pool as determined by the Board of Digital CC, based on the success of Mr Karis achieving certain performance targets.

Mr William Brindise

Under an Executive Employment Agreement entered into between Mr Brindise and Digital CC, Mr Brindise is appointed as Chief Investment Officer of Digital CC, in effect from 5 June 2014. The Employment will be ongoing until it is terminated in accordance with Mr Brindise's Executive Employment Agreement. The Employment may be terminated by either party giving three (3) months written notice (although less than 3 months' notice is required by Digital CC in certain circumstances such as Mr Brindise's illness, absence, material breaches or misconduct in which case Mr Brindise will not be entitled to receive any payment in lieu of notice) and the Company must pay Mr Brindise a payment equal to his salary for the remainder of the notice period. Mr Brindise will be under restraint and non-solicitation clauses for up to 12 months after the termination of the Employment.

Mr Brindise's salary will be USD \$250,000 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. Additionally, Mr Brindise will be eligible to participate in Digital CC's bonus scheme to receive up to 10% of the bonus pool as determined by the Board of Digital CC, based on the success of Mr Brindise achieving certain performance targets.

Chief Financial Officer

Mr Mark Laybourn

Under an Executive Employment Agreement entered into between Mr Laybourn and Digital CC, Mr Laybourn is appointed as Chief Financial Officer of Digital CC, in effect from 5 June 2014. The Employment will be ongoing until it is terminated in accordance with Mr Laybourn's Executive Employment Agreement. The Employment may be terminated by either party giving three (3) months written notice (although less than 3 months' notice is required by Digital CC in certain circumstances such as Mr Laybourn's illness, absence, material breaches or misconduct in which case Mr Laybourn will not be entitled to receive any payment in lieu or compensation as set out below). On termination of the Employment and where Digital CC elects to make payment in lieu of notice, the Company must pay Mr Laybourn a payment equal to his salary for the remainder of the notice period. Mr Laybourn will be under restraint and non-solicitation clauses for up to 24 months after the termination of the Employment.

Mr Laybourn's salary will be USD \$250,000 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. Additionally, Mr Laybourn will be eligible to participate in Digital CC's bonus scheme to receive up to 5% of the bonus pool as determined by the Board of Digital CC, based on the success of Mr Laybourn achieving certain performance targets.

Chief Technical Officer

Mr Fabricio Rodriguez

Under an Executive Employment Agreement entered into between Mr Rodriguez and Digital CC, Mr Rodriguez is appointed as Chief Technology Officer of Digital CC, in effect from 5 June 2014. The Employment will be ongoing until it is terminated in accordance with Mr Rodriguez's Executive Employment Agreement. The Employment may be terminated by either party giving three (3) months written notice (although less than 3 months' notice is required by Digital CC in certain circumstances such as Mr Rodriguez's illness, absence, material breaches or misconduct in which case Mr Rodriguez will not be entitled to receive any payment in lieu or compensation as set out below). On termination of the Employment and where Digital CC elects to make payment in lieu of notice, the Company must pay Mr Rodriguez a payment equal to his salary for the remainder of the notice period. Mr Rodriguez will be under restraint and non-solicitation clauses for up to 24 months after the termination of the Employment.

Mr Rodriguez's salary will be USD \$90,000 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. Additionally, Mr Rodriguez will be eligible to participate in Digital CC's bonus scheme to receive up to 3% of the bonus pool as determined by the Board of Digital CC, based on the success of Mr Rodriguez achieving certain performance targets.

Under all of the Executive Employment Agreements above, Digital CC, in its absolute discretion acting reasonably, can assign and transfer the Employments to any of Digital CC'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.

Upon completion of the offer and settlement of the acquisition of Digital CC, Mr Lawrence and Mr Abiodun were formally appointed as Non-Executive Directors. From time to time it is necessary for the Non-Executive Directors to provide additional services to the Company. Mr Lawrence and Mr Abiodun have in place consultancy agreements for the provision of services outside the scope of duties as a Non-Executive Director. Remuneration by way of consulting fees is calculated on the basis of a daily rate. The term of the consultancy agreement is not fixed, and has an allowance for either party to terminate the agreed arrangements by the giving of 30 days' notice.

The remuneration of Non-Executives includes amounts payable to Director controlled entities for services provided by Directors for the year ending 30 June 2014 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 | Options and performance rights(f) | % of remuneration in options | |
| 2014 | US\$ | US\$ | US\$ | US\$ | US\$ | % | US\$ |
| Zhenya Tsvetnenko | 31,375 ¹ | - | 130,868 | 2,901 ¹ | 1,128,184 | 87% | 1,293,328 |
| Alex Karis | 31,250 | - | 122,688 | - | 748,808 | 83% | 902,746 |
| William Brindise | 20,833 | - | 81,792 | - | 464,145 | 82% | 566,770 |
| Emmanuel Abiodun | - | - | - | - | 483,990 | 100% | 483,990 |
| Mark Laybourn | 19,069 ¹ | - | 55,771 | 1,764 ¹ | - | - | 76,604 |
| Fabricio Rodriguez | 7,083 | - | 9,631 | - | - | - | 16,714 |
| Total | 109,610 | - | 400,750 | 4,665 | 2,825,127 | 85% | 3,340,152 |

Note 1: Amount paid in Australian Dollars and converted to United States Dollars at 0.94

The share option and performance rights expense has been classified as part of corporate transaction accounting expense in the statement of profit or loss and other comprehensive income. For further information refer to Note 23 of the financial statements.

(f) Share options and performance rights granted to Directors

| Name | Options | | | Class A Performance Rights | | | Class B Performance Rights | | |
|-------------------|----------|-------------------------|------------------|----------------------------|-------------------------|-------------------|----------------------------|-------------------------|------------------|
| | Open | Movement for the period | Closing balance | Open | Movement for the period | Closing balance | Open | Movement for the period | Closing balance |
| 2014 | Open | Movement for the period | Closing balance | Open | Movement for the period | Closing balance | Open | Movement for the period | Closing balance |
| 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 | - | 1,663,342 | 1,663,342 | - | 2,495,013 | 2,495,013 | - | 1,247,507 | 1,247,507 |
| Total | - | 8,316,710 | 8,316,710 | - | 16,550,252 | 16,550,252 | - | 8,275,126 | 8,275,126 |

There were no options or rights cancelled or forfeited during the period and since the date of this report.

On completion of the Acquisition by Digital CC Limited of Digital CC Holdings Pty Ltd on 6 June 2014, the following unlisted options and were issued to the Directors outlined above and other Vendors:

- 8,316,710 unlisted options to acquire fully paid ordinary shares in Digital CC Limited each exercisable at \$0.28 on or before 30 June 2016, valued at \$0.153 using the binomial valuation method and totalling \$1,179,620.
- 16,633,420 Class A Performance Rights which will vest on 1 July 2015 if the earnings before interest, tax, depreciation and amortisation in the Company in the period from 1 January 2014 to 30 June 2015 is \$9,000,000 or greater. The fair value of the performance rights is \$0.286 each and has been accounted for based on a probability of 35% that the performance hurdle is achieved. Therefore the fair value of the Class A Performance Rights has been determined to be \$1,543,530; and
- 8,316,710 Class B Performance Rights which will vest on 1 July 2016 if the earnings before interest, tax, depreciation and amortisation in the Company in the period between 1 July 2015 and 30 June 2016 is \$30,000,000 or greater. The fair value of the performance rights is \$0.286 each and has been accounted for based on a probability of 5% that the performance hurdle is achieved. Therefore the fair value of the Class B Performance Rights has been determined to be \$110,252.

Other transactions with key management personnel of the Group

During the financial year ended 30 June 2014:

- Digital CC IP Pty Ltd purchased the bitcoin.com.au domain name from Magna Fortis Pty Ltd (a company controlled by Zhenya Tsvetnenko) for US\$23,000. The purchase amount was the cost to acquire the domain name by Magna Fortis Pty Ltd from a third party unrelated vendor.
- Digital CC Holdings Pty Ltd paid interest of A\$74,424 on a loan of A\$2.8 million from Lydian Enterprises Pty Ltd (a company controlled by Zhenya Tsvetnenko). Interest was paid at the agreed rate of 15% per annum. The loan was repaid prior to 30 June 2014.
- Digital CC Holdings Pty Ltd paid Mpire Media Pty Ltd (a company controlled by Zhenya Tsvetnenko) A\$7,800 for the design and creation of an investor presentation for an investor roadshow as part of the capital raising by the consolidated group.
- Digital CC Holdings Pty Limited paid Karis Holdings Inc (a company controlled by Alex Karis) US\$153,940 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 Trading Pty Ltd entered into a 12 month Bitcoin Mining Contract with Digi8 Limited (a company 50% owned by Zhenya Tsvetnenko) on 31 Jan 2014 for \$80,000 to supply 8,000 GH/s of processing power at USD \$10.00 per GH/s.
- Digital CC Holdings Pty Ltd entered into a Shareholder and Directors' Loan Agreement on 7 March 2014 with William Brindise, Technology IQ Limited (a company controlled by Emmanuel Abiodun, NRB International LLC (a company controlled by William Brindise), Digital Man LLC (a company controlled by Alex Karis), and Magna Fortis Pty Ltd (a company controlled by Zhenya Tsvetnenko) to provide unsecured funding to Digital CC Holdings Pty Ltd. The Shareholder and Directors' Loan Agreement was amended on 24 March 2014 to increase the loans provided by each of the parties to Digital CC Holdings Pty Ltd to the following amounts: Lydian Enterprises Pty Ltd ATF Lydian Trust A\$750,000, Digital Man LLC A\$150,000, NRB International LLC A\$235,675, and Technology IQ A\$200,000. On 5 June 2014, the shareholder and director loans were repaid through the subscription of new shares in the placement by Digital CC Limited at 20 cents per share to raise A\$9.1 million.

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 Tsvetnenko is also the Sole Director of Magna Fortis Pty Ltd ACN 149 529 902, which has a right to receive approximately 17% of the shares in a related party, Technology IQ Limited.
- Mr Karis is the Sole Shareholder of Digital Man LLC.
- Mr Brindise is the Sole Shareholder of NRB International LLC.

This is the end of the audited remuneration report.

Directors' Meetings

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

| | Board Meetings | |
|---------------------------------------------------|---------------------------|-----------------|
| | Number eligible to attend | Number attended |
| Brett Lawrence (resigned 5 September 2014) | 3 | 3 |
| Mark Freeman (resigned 5 June 2014) | 3 | 3 |
| Scott Jones (resigned 5 June 2014) | 3 | 3 |

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 12,166,227 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 |
|-------------------------------------|--------------|--------------|---------------------------|------------------------|-------------------------------|
| 6 June 2013, 14 May 2014 | - | unlisted | \$0.286 | 30 June 2017 | 3,849,517 |
| 5 June 2014 | - | unlisted | \$0.28 | 5 June 2016 | 8,316,710 |

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 or since the end of the financial period, the Company did not issue any ordinary shares as a result of the exercise of options.

Shares issued on exercise of options

During or since the end of the financial period, the Company did not issue any ordinary shares as a result of the exercise of options.

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

No amounts were paid or payable to the auditor for non-audit services provided during the period.

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 28.

Auditor

Deloitte Touche Tohmatsu 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



Zhenya Tsvetnenko
Executive Chairman
Perth, 30 September 2014

The Board of Directors
Digital CC Limited
L7, 1008 Hay Street
Perth WA 6000

30 September 2014

Dear Board Members

Digital CC Limited

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence to the directors of Digital CC Limited.

As lead audit partner for the audit of the financial statements of Digital CC Limited for the financial period ended 30 June 2014, I declare that to the best of my knowledge and belief, the only contravention of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit

is set out below:

Deloitte Touche Tohmatsu's quality control system identified that the review auditor for the audit of Verus Investments Limited (subsequently renamed Macro Energy Limited, subsequently named Digital CC Limited) for five successive financial years ended 30 June 2012, consulted with the engagement team and Digital CC Limited regarding technical issues, transactions or events during the audit of Digital CC Limited for the financial year ended 30 June 2014.

The partner did not participate in the audit of Verus Investments Limited, Macro Energy Limited or Digital CC Limited for the audits of the financial years ended 30 June 2013 and 30 June 2014. The individual has played no further role in relation to the audit of Digital CC Limited for the year ended 30 June 2014.

Accordingly I consider that the independence of Deloitte Touche Tohmatsu in respect to the audit of the financial statements of Digital CC Limited for the period ended 30 June 2014 has not been impaired.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



A T Richards
Partner
Chartered Accountant

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Independent Auditor's Report to the members of Digital CC Limited (formerly Macro Energy Limited)

We have audited the accompanying financial report of Digital CC Limited (formerly Macro Energy Limited), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the period's end or from time to time during the financial period as set out on pages 31 to 65.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Digital CC Limited (formerly Macro Energy Limited), would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Digital CC Limited (formerly Macro Energy Limited) is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2014 and of their performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 26 of the directors' report for the period ended 30 June 2014. 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.

Opinion

In our opinion the Remuneration Report of Digital CC Limited (formerly Macro Energy Limited) for the period ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



A T Richards

Partner

Chartered Accountants

Perth, 30 September 2014

In the opinion of the Directors of Digital CC 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 2014 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 2014.

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



Zhenya Tsvetnenko
Executive Chairman
Perth, 30 September 2014



Mark Laybourn
Chief Financial Officer
Perth, 30 September 2014

Digital CC Limited
Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the Financial Period Ended 30 June 2014

| | Note | 30-Jun-14 US\$ |
|----------------------------------------------------------------------------------|-------------|---------------------------|
| Revenue from bitcoins mined | | 3,959,558 |
| Net fair value gain on bitcoin inventory held for trading | | 393,297 |
| Other income | 7 | 56,480 |
| Bitcoin mining pool fees | | (61,562) |
| Loss on sale of bitcoin mining contract | | (34,094) |
| Power and hosting expenses | | (522,820) |
| Professional and consultancy fees | 8(a) | (786,340) |
| Corporate expenses | | (70,631) |
| Interest expense | | (115,728) |
| Employee benefit expenses | | (520,923) |
| Inventory write-down | 8(b) | (233,435) |
| Depreciation | 15, 18 | (1,831,129) |
| Amortisation | | (1,900) |
| Realised and unrealised foreign exchange losses | | (61,297) |
| Corporate transaction accounting expense | 23 | (10,918,065) |
| Other expenses | 8(c) | (440,645) |
| Loss before tax | | (11,189,234) |
| Income tax expense | 9 | (27,141) |
| Loss after income tax | | (11,216,375) |
| LOSS FOR THE PERIOD | | (11,216,375) |
| Total other comprehensive loss for the period | | - |
| Total comprehensive loss attributable to: | | |
| Members of the parent entity | | (11,216,375) |
| Loss per share attributable to the ordinary equity holders of the parent: | | |
| From continuing and discontinued operations | | |
| Basic and diluted loss per share (cents) | 11 | (0.117) |

The accompanying notes form part of these financial statements

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| | <i>Note</i> | 30-Jun-14 US\$ |
|--------------------------------------|-------------|-------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | | 4,574,582 |
| Trade and other receivables | 12 | 2,154,976 |
| Prepayments | 13 | 220,447 |
| Bitcoins | 14 | 2,324,437 |
| Bitcoin mining hardware | 15 | 2,302,295 |
| Total Current Assets | | 11,576,737 |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 18 | 5,152 |
| Intangible assets | | 31,100 |
| Total Non-Current Assets | | 36,252 |
| TOTAL ASSETS | | 11,612,989 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 16 | 437,587 |
| Current tax payable | 9 | 27,141 |
| Accrued expenses | | 380,311 |
| Restoration provisions | 17 | 103,981 |
| Total Current Liabilities | | 949,020 |
| NON-CURRENT LIABILITIES | | |
| Total Non-Current Liabilities | | - |
| TOTAL LIABILITIES | | 949,020 |
| NET ASSETS | | 10,663,969 |
| EQUITY | | |
| Issued capital | 19 | 18,404,582 |
| Reserves | 20 | 3,475,762 |
| Accumulated losses | | (11,216,375) |
| TOTAL EQUITY | | 10,663,969 |

The accompanying notes form part of these financial statements

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Digital CC Limited
Consolidated Statement of Changes in Equity
For the Financial Period Ended 30 June 2014

| Consolidated Group | Issued Capital US\$ | Option Premium and Share Based Payment Reserve US\$ | Accumulated Losses US\$ | Total US\$ |
|---------------------------------------------|---------------------------|--------------------------------------------------------------------|-------------------------------|-------------------|
| Balance at 28 January 2014 | 300,000 | - | - | 300,000 |
| Loss for the period | - | - | (11,216,375) | (11,216,375) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | - | - | (11,216,375) | (11,216,375) |
| Shares issued during the period | 18,828,129 | - | - | 18,828,129 |
| Share issue costs | (723,547) | - | - | (723,547) |
| Share options and performance rights issued | - | 3,475,762 ¹ | - | 3,475,762 |
| Balance at 30 June 2014 | 18,404,582 | 3,475,762 | (11,216,375) | 10,663,969 |

¹ Refer note 21 for further information

The accompanying notes form part of these financial statements

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| | Note | 30-Jun-14 US\$ |
|-------------------------------------------------------|------|--------------------|
| Cash flows from operating activities | | |
| Proceeds from sale of bitcoins | | 2,126,646 |
| Payment for bitcoins | | (606,333) |
| Payments for power and hosting | | (504,000) |
| Interest paid | | (69,830) |
| Payment for Value Added Tax in Iceland | 12 | (1,082,857) |
| Other operating activities | | (2,313) |
| Payments to suppliers and employees | | (1,391,530) |
| Net cash provided by operating activities | 21 | (1,530,217) |
| Cash flows from investing activities | | |
| Payment for intellectual property | | (33,000) |
| Interest received | | 9,037 |
| Acquisition of bitcoin mining hardware | | (4,136,172) |
| Cash acquired through acquisitions | 23 | 727,445 |
| Payment for security deposit | 12 | (600,000) |
| Net cash used in investing activities | | (4,032,690) |
| Cash flows from financing activities | | |
| Proceeds from issue of equity securities | | 7,197,853 |
| Receipt of shareholder loans (net) | | 1,238,226 |
| Payments for share issue costs | | (237,087) |
| Loan from Macro Energy Limited prior to acquisition | | 1,895,229 |
| Net cash provided by financing activities | | 10,094,221 |
| Net increase in cash and cash equivalents held | | 4,531,314 |
| Cash and cash equivalents at beginning of period | | - |
| Foreign exchange movement in cash | | 43,268 |
| Cash and cash equivalents at end of period | | 4,574,582 |

The accompanying notes form part of these financial statements

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1. CORPORATE INFORMATION

The consolidated historical financial statements of Digital CC Limited and its controlled entities (collectively, the Consolidated Entity or Group) for the period ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 30 September 2014.

Digital CC 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 23. Information on other related party relationships is provided in Note 22.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the consolidated financial report of the Group for the period ended 30 June 2014 are set out below.

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 adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. All amounts are presented in United States Dollars, unless otherwise noted.

On 28 January 2014, Digital CC Holdings Pty Ltd (Digital CC Holdings) was incorporated in Australia as the parent company of the Digital CC group of companies which were predominantly incorporated in January 2014.

On 6 June 2014, Digital CC Limited (Digital CC (formerly Macro Energy Limited)) completed the acquisition of Digital CC Holdings (the Acquisition). The Acquisition has been accounted for by analogy to the guidance for reverse acquisitions in AASB 3 *Business Combinations* because, as a result of the Acquisition, the former shareholders of Digital CC Holdings (the legal subsidiary) obtained accounting control of Digital CC (the legal parent). Accordingly the application of the reverse acquisition guidance in AASB 3 by analogy results in Digital CC, the legal parent, being accounted for as the subsidiary, and Digital CC Holdings, the legal subsidiary, being accounted for as the accounting parent.

The Acquisition did not meet the definition of a business combination in accordance with AASB 3 *Business Combinations* as Digital CC was deemed for accounting purposes not to be a business as at the time of the acquisition Digital CC was in the process of realising its remaining assets, therefore, the transaction is not a business combination within the scope of AASB 3. Instead the Acquisition has been accounted for as a share-based payment transaction using the principles of share based payment transactions in AASB 2, and in particular the guidance in AASB 2 that any difference in the fair value of the shares issued by the accounting acquirer (Digital CC Holdings) and the fair value of the accounting acquiree's (Digital CC (formerly Macro Energy Limited) identifiable net assets represents a service received by Digital CC Holdings, including payment for a service of an ASX stock exchange listing. The accounting for the Acquisition resulted in an expense recognised on acquisition of \$10,918,065 as set out in Note 23.

As Digital CC Holdings is considered to be the parent of the Group for accounting purposes the consolidated financial statements represent the continuation of the financial statements of Digital CC Holdings from its incorporation in January 2014 with the exception of the capital structure. The amount recognised as issued equity instruments in these consolidated financial statements represents the issued equity interests of Digital CC adjusted to reflect the equity issued by Digital CC on acquisition. Refer to Note 19 for information on issued capital and Note 23 for information on the accounting for the Acquisition.

As Digital CC Holdings was only incorporated in January 2014 no comparative financial information is presented in these consolidated financial statements.

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.

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\$. Digital CC changed its functional currency from Australian dollars to United States dollars on the date of its acquisition by Digital CC Holdings due to the change in nature of its business activities from oil and gas exploration to bitcoin mining and trading activities on that date.

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

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been early adopted by the Company for the reporting period ended 30 June 2014. The Directors have not determined the impact that the adoption of the new Australian Accounting Standards and Interpretations in future periods will have on the financial performance of the Company.

| Reference | Title | Summary | Application date of Standard | Application date for Company |
|-------------------------------------|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| AASB 2012-3 | Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities | AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. | 1 January 2014 | 1 July 2014 |
| Annual Improvements 2010–2012 Cycle | Annual Improvements to IFRSs 2010–2012 Cycle | This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: <ul style="list-style-type: none"> IFRS 2 -Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. IFRS 3 -Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. IFRS 8 -Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's assets. IAS 16 & IAS 38 -Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. | 1 July 2014 | 1 July 2014 |

| Reference | Title | Summary | Application date of Standard | Application date for Company |
|--------------------|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <ul style="list-style-type: none"> IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed. | | |
| AASB 1031 | Materiality | The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. | 1 January 2014 | 1 July 2014 |
| AASB 2013-9 | Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments | The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments. | Part A – periods ending on or after 20 Dec 2013 Part B - periods beginning on or after 1 January 2014 Part C - reporting periods beginning on or after 1 January 2015 | Part A – periods ending on or after 20 Dec 2013 Part B - periods beginning on or after 1 January 2014 Part C - reporting periods beginning on or after 1 January 2015 |
| IFRS 15 | Revenues from Contracts with Customers. | The main objectives of this new standard are to: <ul style="list-style-type: none"> provide a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. The model will improve comparability over a range of industries, companies and geographical boundaries ; remove inconsistencies and weaknesses in existing revenue recognition standards; simplify the preparation of financial statements by reducing the number of requirements to which preparers must refer; and enhance disclosures about revenue, providing guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improving guidance for multiple-element arrangements. <p>The Australian equivalent to this standard has not yet been issued but is expected to have the same effective date.</p> | 1 January 2017 | 1 July 2017 |
| AASB 9 | Financial Instruments | The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. | 1 July 2018 | 1 July 2018 |

The impact of these recently issued or amended standards and interpretations have not been determined as yet by the Company.

2.3 Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Digital CC Limited (Company or Parent Entity) as at period end and the results of all subsidiaries for the period then ended. Digital CC 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.

The specific recognition criteria described below must also be met before revenue is recognised.

- **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 mid-day 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.

2.6 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 Digital CC Limited. Digital CC Holdings joined the Digital CC 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(e) (ii) for discussion of key estimation uncertainties in respect of current and deferred income taxes.

2.7 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 2.9 below).

2.8 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(e)(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.

2.9 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.

2.10 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.

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 by 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.

2.11 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.

2.12 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.

2.13 Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.14 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.

2.15 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.

Refer to Note 4(e)(ii) for discussion of key estimation uncertainties in respect of the Icelandic VAT receivable.

2.16 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, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued 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.

2.17 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.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.18 Parent entity financial information

The financial information for the parent entity, Digital CC Limited, disclosed in note 24 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 Digital CC 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

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

The head entity, Digital CC 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, Digital CC 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 Digital CC Limited for any current tax payable assumed and are compensated by Digital CC Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Digital CC 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. The Group is debt free, except for trade payables (note 16).

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 following financial instruments:

| | 2014 |
|------------------------------|-------------|
| | US\$ |
| Financial Assets | |
| Cash and cash equivalents | 4,574,582 |
| Receivables | 2,154,976 |
| | 6,729,558 |
| Financial liabilities | |
| Trade and other payables | 437,587 |

(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 US\$/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.

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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 2014, the Group had exposure to foreign currency risk within its recognised assets and liabilities. The Cash and Cash equivalents included \$1,086,451 held in AUD bank accounts, being AUD\$1,152,561.

Group sensitivity – foreign exchange risk

Based upon the financial instruments held as at 30 June 2014, had the Australian dollar weakened/strengthened 10% against the US dollar with all other variables held constant, the group's results for the period would increase/decrease by \$108,645.

(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 did not have any interest bearing liabilities as at balance date.

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.

| | | | <i>Less than 1 month Interest bearing - variable US\$</i> | <i>1 to 3 months Interest bearing - variable US\$</i> | <i>Less than 1 month Non- interest bearing</i> | <i>1 to 3 months Non- interest bearing US\$</i> |
|---------------------------|-------|-----------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------|
| | % | US\$ | US\$ | US\$ | | US\$ |
| 2014 | | | | | | |
| Cash and cash equivalents | 0.128 | 4,574,582 | - | - | | - |
| Other receivables | - | - | - | 2,154,976 | | - |
| Other payables | - | - | - | 437,587 | | - |

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(e) below), 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 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) at midday United States Eastern Standard 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) Normal operating cycle

The Group is in its first year of operations in a newly emerging industry and management do not consider that there is currently a clearly identifiable normal operating cycle for a business of this nature. For the purposes of these consolidated financial statements the Group has, therefore, presented a classified balance sheet presenting current and non-current assets and liabilities assuming a normal operating cycle of 12 months. The Group will continue to reassess whether this assumption remains appropriate at each reporting date. As set out in Note 2.8 above and 4e(i) below, the future economic benefits of the Bitcoin computer mining hardware is expected to be consumed at the rate of 25% per month on a diminishing value basis. A consequence of this basis of depreciation is that Bitcoin computer mining hardware is presented as a current asset in the Statement of Financial Position.

(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) above). 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 to it management has determined that 25% diminishing value best reflects the current expected useful life of Bitcoin computer mining hardware. 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 2.8 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, including the Bitcoin mining computer hardware.

To the extent that any of the assumptions underlying management's estimate of the useful life of the Bitcoin mining computer hardware are subject to revision in a future reporting period either as a result of changes in circumstances or through the availability of better data then in future the rate of depreciation may change impacting both the depreciation expense charged to the profit or loss and the carrying value of Bitcoin mining computer hardware in the Statement of Financial Position.

(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 2014 in relation to these assets. The Group will continue to assess the performance and may in 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 are attributable to its operations in Australia and for employee costs incurred in the United States plus an appropriate mark-up.

Notwithstanding that the Group has concluded that it will only be liable for tax in Australia and the United States, the Group has made some preliminary estimates on the liability which may arise should the Icelandic tax authorities conclude that the Group is taxable in Iceland. In making this assumption the Group has considered a range of possible scenarios and believe it to be remote that the Group will not be entitled to the deductibility of related expenses incurred. On this basis the Group estimates the Icelandic tax liability as at 30 June 2014 not to be material. Currently the corporate tax rate in Iceland is 20% and no tax treaty exists between Iceland and Australia.

Goods and Sales Taxes

The VAT receivable recorded in the balance sheet (see Note 12) is expected to be refunded by the Icelandic tax authority to the Company within the next 12 months and is therefore recognised as a current asset. Should it be determined after the date of issue of these consolidated financial statements that such VAT is not recoverable, then in accordance with the accounting policy for non-recoverable VAT in Note 2.15 above, this VAT receivable of \$1,082,857 will be capitalised into the cost of Bitcoin mining computer hardware with a consequential impact on the amount of depreciation charged to profit and loss in the future in accordance with our accounting policy for Bitcoin mining computer hardware discussed in Note 2.8 and Note 4(e)(i) above.

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(iii) Options and performance rights

Options and performance rights were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility has been estimated utilising the average 2 year close-close volatility of the top ten performing ASX listed technology firms in the last two years with a market capitalisation of less than \$100 million. Management has made an assessment of the probability of the EBITDA hurdle being met by 1 July 2015 and 1 July 2016 in relation to the performance rights.

5. DIVIDENDS

There are no dividends paid or declared during the period.

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6. SEGMENT INFORMATION

Segment reporting

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 2014 the group operated one reportable segment being the Bitcoin mining and trading operations.

| | Bitcoin mining and trading operations US\$ | Unallocated ¹ US\$ | Total US\$ |
|--------------------------------------------|-----------------------------------------------------|----------------------------------|---------------------|
| Revenue | | | |
| 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 |
| Total segment income | <u>4,395,882</u> | <u>13,453</u> | <u>4,409,335</u> |
| Results | | | |
| Segment result | | | |
| Profit/ (Loss) before income tax | 518,839 | (11,708,073) | (11,189,234) |
| Income tax expense | (27,141) | - | (27,141) |
| Profit / (Loss) after income tax | <u>491,698</u> | <u>(11,708,073)</u> | <u>(11,216,375)</u> |
| Assets | | | |
| Segment assets | 11,242,892 | 370,098 | 11,612,990 |
| Total assets | <u>11,242,892</u> | <u>370,098</u> | <u>11,612,990</u> |
| Liabilities | | | |
| Segment liabilities | 845,039 | 103,981 | 949,020 |
| Total liabilities | <u>845,039</u> | <u>103,981</u> | <u>949,020</u> |
| Other | | | |
| Depreciation of segment assets | 1,831,040 | 89 | 1,831,129 |
| Amortisation of segment assets | 1,900 | - | 1,900 |
| Reconciliation of underlying EBITDA | | | |
| Profit after income tax | <u>491,698</u> | | |
| Taxation | 27,141 | | |
| Depreciation | 1,831,040 | | |
| Amortisation | 1,900 | | |
| EBITDA | <u>2,351,779</u> | | |

¹ Includes corporate and reverse acquisition expenses and the realisation of Macro Energy Limited operations.

Additions to non-current assets during the period were in the form of bitcoin mining hardware and property, plant and equipment of \$4,133,104 and intangible assets of \$33,000.

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.

7. OTHER INCOME

| | 30-Jun-14 US\$ |
|-----------------------------------------|-------------------|
| Interest received | 13,661 |
| Gain on sale of Bitcoin mining hardware | 42,819 |
| Total other income | 56,480 |

8. EXPENSES

(a) Professional and consultancy fees

| | 30-Jun-14 US\$ |
|------------------------------------------------|-------------------|
| Legal fees | 434,713 |
| Consulting fees | 210,888 |
| Audit fees | 140,739 |
| Total professional and consultancy fees | 786,340 |

(b) Inventory write-down

| | 30-Jun-14 US\$ |
|-----------------------------------|-------------------|
| Inventory write down | 233,435 |
| Total inventory impairment | 233,435 |

On 28 February 2014, Mt Gox, the online Bitcoin trading exchange filed for bankruptcy protection in Japan. At the time Mt Gox filed for bankruptcy, Digital CC Trading Pty Ltd (wholly owned subsidiary of the Group) held approximately \$233,435 of bitcoins with Mt Gox. It is uncertain as to whether Digital CC Trading Pty Ltd will recover those bitcoins in the future and therefore the inventory has been written down in full.

(c) Other expenses

| | 30-Jun-14 US\$ |
|-----------------------------|-------------------|
| Office and administration | 151,733 |
| Bank charges | 2,527 |
| Computer hardware repair | 1,745 |
| Inventory shrinkage | 253,272 |
| Other expenses | 31,368 |
| Total other expenses | 440,645 |

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9. INCOME TAX

| | 30-Jun-14 US\$ |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| <i>Current tax expense</i> | |
| Current period – income tax charge / (income) | |
| Australia | 17,880 |
| USA | 9,261 |
| Adjustment – current income tax of previous periods | |
| Australia | - |
| USA | - |
| <i>Deferred income tax</i> | |
| Origination and reversal of temporary differences | (331,371) |
| Temporary differences not recognised | 331,371 |
| Total income tax expense in income statement | 27,141 |
| Numerical reconciliation of tax expense to prima facie tax payable | |
| Loss before tax – continuing operations | 11,189,234 |
| At the Group's statutory income tax rates of Australia: 30%, USA 36% | (3,356,770) |
| Differences in income tax expense due to: | |
| Effect of expenses that are not deductible in determining taxable profit | 3,306,757 |
| Effect of expenses that are deductible in determining taxable profit | (255,540) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 1,323 |
| | (304,231) |
| Deferred tax assets not recognised | 331,371 |
| Income tax expense recognised in profit or loss | 27,141 |
| 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 | 27,141 |
| Total current tax liability | 27,141 |

Deferred tax assets and liabilities

Deferred tax assets/ (liabilities) arise from the following:

| | Acquired balances US\$ | Charged to Income US\$ | Charged to Equity US\$ | Closing Balance US\$ |
|-------------------------------------------------------|------------------------------|------------------------------|------------------------------|----------------------------|
| General accruals – current period | | 56,296 | | 56,296 |
| Provision for doubtful debts – current period | | 70,031 | | 70,031 |
| Future tax deductions | 240,693 | 82,959 | 8,902 | 332,554 |
| Unrealised FX (Gains)/Losses – current period | (297) | 979 | | 682 |
| Australia tax losses | 1,557,196 | 119,330 | | 1,676,526 |
| USA tax losses | | 1,778 | | 1,778 |
| Total temporary differences and tax losses | 1,797,592 | 331,373 | 8,902 | 2,137,867 |
| Temporary differences not recognised | (240,395) | (210,264) | (8,902) | (459,561) |
| Tax losses not recognised | (1,557,197) | (121,109) | | (1,678,306) |
| Total temporary differences and tax losses recognised | - | - | - | - |

10. REMUNERATION OF AUDITORS

| | 30-Jun-14 US\$ |
|-------------------------------------------------------------------------------------|-------------------|
| Remuneration of the auditors of the Company for: <i>Deloitte Touche Tohmatsu</i> | |
| Audit and review of financial reports | 140,739 |
| | 140,739 |

11. EARNINGS PER SHARE

| | 30-Jun-14 |
|------------------------------------------------------------------------------------------------------------------------|-------------------|
| Basic and diluted loss per share (cents) | 0.117 |
| The loss used in the calculation of basic and diluted loss per share are as follows: | |
| | 11,216,375 |
| Weighted average number of ordinary shares on issue during the period used in the calculation of basic and diluted EPS | 96,125,437 |

Potential ordinary shares in the form of share options and rights (refer note 20) 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.

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12. CURRENT ASSETS – TRADE & OTHER RECEIVABLES

| | 30-Jun-14 US\$ |
|--------------------------------------------------------------|-------------------|
| Trade receivables | 155,340 |
| GST receivable | 73,514 |
| Deposit on oil and gas permit in Spain ¹ | 207,422 |
| VAT receivable - Iceland (refer Note 4 (e)(ii)) | 1,082,857 |
| Auction deposit held with US Federal Government ² | 600,000 |
| Other | 35,843 |
| Total trade and other receivables | 2,154,976 |

¹ On 8 July 2014, Digital CC Limited received an amount of \$207,422 in relation to a deposit previously paid by Macro Energy Limited (i.e. prior to the acquisition of Digital CC Holdings) to acquire the rights to a Spanish Oil and Gas asset in 2013.

² On 23 July 2014, the deposit of US\$600,000 which was provided to the US Marshalls as part of a Federal Government bitcoin auction, was returned to Digital CC USA LLC.

13. CURRENT ASSETS – PREPAYMENT

| | 30-Jun-14 US\$ |
|-------------------------------------------------------------|-------------------|
| Current | |
| Prepayment of Power and Hosting expenses | 87,500 |
| Prepayment of insurance | 44,122 |
| Prepayment of future cash calls for restoration obligations | 88,825 |
| Total Prepayments | 220,447 |

14. CURRENT ASSETS – BITCOINS

| | 30-Jun-14 US\$ |
|-----------------------|-------------------|
| Bitcoins | 2,324,437 |
| Total Bitcoins | 2,324,437 |

Bitcoins were fair valued using the mid-day Bitfinex price as at 30 June 2014 of \$640 per bitcoin. The total number of bitcoins mined during the period ended 30 June 2014 was 7,208 bitcoins.

15. CURRENT ASSETS – BITCOIN MINING HARDWARE

| | 30-Jun-14 US\$ |
|--------------------------------------------------------------------------|-------------------|
| Cost | 4,133,105 |
| Accumulated depreciation | (1,830,810) |
| Net Carrying amount | 2,302,295 |
| <i>Reconciliation</i> | |
| Carrying amount at beginning of period | - |
| Additions | 4,133,105 |
| Depreciation charge for the period | (1,830,810) |
| Carrying amount at end of period, net of accumulated depreciation | 2,302,295 |

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BitFury Group – Additional Equipment

During the period a subsidiary, Digital CC Management, acquired certain Bitcoin mining hardware on a contingent consideration basis. As part of a purchase of US\$4 million of Bitcoin mining hardware from BitFury Group Limited, additional equipment with a capacity of 560 TH (Terahash) (the additional equipment) with a list price of US\$1.7 million was made available to Digital CC Management for a nil upfront cost, such that in total the acquisition of the equipment was made at a discounted price of US\$4 million. The additional equipment was subject to a contingent consideration arrangement whereby, should future profits generated from the use of the additional equipment exceed an agreed level of profitability being 20%, then additional consideration would be payable to the vendor, Bitfury, in the form of a share of profits from the Bitcoins mined solely from the use of the additional equipment from the point in time when the Bitcoin mining hardware had achieved the profit level. In determining future profits derived from the use of the additional equipment allowance is made for the cost of equipment, hosting, shipping and installation costs but not income taxes.

16. CURRENT LIABILITIES – TRADE & OTHER PAYABLES

| | 30-Jun-14 US\$ |
|---------------------------------------|-------------------|
| Trade payables | 418,267 |
| PAYG withholding tax payable | 19,320 |
| Total trade and other payables | 437,587 |

17. CURRENT LIABILITIES – RESTORATION PROVISION

| | 30-Jun-14 US\$ |
|---------------------------------------------------------------------|-------------------|
| Restoration provision for environmental rehabilitation ¹ | 103,981 |
| | 103,981 |

¹ Restoration provision relates to the prior operations of Macro Energy Limited.

18. PROPERTY, PLANT AND EQUIPMENT – COMPUTER EQUIPMENT

| | 30-Jun-14 US\$ |
|--------------------------------------------------------------------------|-------------------|
| Cost | 7,299 |
| Accumulated depreciation | (2,147) |
| Net Carrying amount | 5,152 |
| <i>Reconciliation</i> | |
| Carrying amount at beginning of period | 7,299 |
| Additions | - |
| Depreciation charge for the period | (2,147) |
| Carrying amount at end of period, net of accumulated depreciation | 5,152 |

19. ISSUED CAPITAL

a) Issued and paid up Capital

| | 30-Jun-14 US\$ |
|----------------------------------------|-------------------|
| 167,939,643 fully paid ordinary shares | 18,404,582 |
| | 18,404,582 |

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b) Movement in Ordinary Share Capital

| Date | Details | Number of Shares | Issue Price A\$ | US\$ ² |
|------------------------|--------------------------------------------------------------------------------------------|------------------|-----------------|---------------------|
| 28 January 2014 | Opening Balance | 100 | | 300,000 |
| 10 March 2014 | Share split | 9,900 | | - |
| 5 June 2014 | Closing balance | 10,000 | | 300,000 |
| 6 June 2014 | Opening balance | 10,000 | | 300,000 |
| | Acquisition of Digital CC Limited: | | | |
| | - Elimination of existing Digital CC Holdings shares | (10,000) | | - |
| | - Existing Digital CC Limited shares on acquisition | 38,074,988 | | 10,095,395 |
| | - Issue of Digital CC Limited shares on acquisition of Digital CC Holdings (refer note 23) | 82,764,655 | | - |
| 6 June 2014 | Issued under Prospectus | 45,500,000 | A\$0.20 | 8,436,080 |
| | Issued to DJ Carmichael | 1,600,000 | A\$0.20 | 296,653 |
| | Less cost of capital raising | - | | (723,546) |
| 30 June 2014 | Closing Balance | 167,939,643 | | \$18,404,582 |

Note 1: Securities are shown on a post 1 for 5.715 consolidation basis.

Note 2: Based on AUD/USD of 0.9270 on 6 June 2014.

c) 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.

20. RESERVES

| | 30-Jun-14 US\$ |
|------------------------------------------------|-------------------|
| Option premium and share-based payment reserve | 3,475,762 |
| | <u>3,475,762</u> |

(a) Valuation of options issued

The fair value of the share options 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.

Value of share options in Digital CC Limited (formerly Macro Energy Limited) as at acquisition date (6 June 2014)

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

| Item | Inputs |
|---------------------------------------|--------------|
| Volatility (%) (see below) | 99% |
| Risk-free interest rate (%) – range | 2.685% |
| Expected life of option (years) | 3.07 |
| Exercise price per terms & conditions | \$0.05 |
| Exercise price (adjusted)* | \$0.286 |
| Underlying security spot price | \$0.286 |
| Valuation date | 6 June 2014 |
| Expiry date | 30 June 2017 |
| Valuation per option | \$0.180 |

*Adjusted based on share consolidation of 5.715:1 on acquisition (refer note 19).

Value of unlisted options issued on completion of acquisition

On completion of the Acquisition on 6 June 2014, 8,316,710 unlisted options were issued as consideration for the acquisition of shares in the Company to the Vendors (refer to Note 23).

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

| Item | Inputs |
|-------------------------------------|-------------|
| Volatility (%) (see below) | 99% |
| Risk-free interest rate (%) – range | 2.685% |
| Expected life of option (years) | 2.00 |
| Exercise price | \$0.28 |
| Underlying security spot price | \$0.286 |
| Valuation date | 6 June 2014 |
| Expiry date | 6 June 2016 |
| Valuation per option | \$0.153 |

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.

As the acquisition of Digital CC Holdings Pty Ltd by the Company (refer note 23), resulted in a substantial change in the Company's operations, we do not consider their historical volatility to be representative of their future volatility.

Furthermore, given there are no other companies on the ASX, or any other exchange, whose primary activities are Bitcoin and digital currency trading, we do not consider there to be any comparable companies from which to determine an appropriate volatility.

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(b) Valuation of performance rights issued

Value of performance rights issued on completion of acquisition

On 6 June 2014, following the completion of the acquisition (refer Note 23), performance rights were issued with terms as below:

- (i) Class A
- Each Performance Right vests to one share;
 - Performance Rights vest on 1 July 2015 if the earnings, before interest, tax depreciation and amortisation (EBITDA) in the Company's consolidated group existing as at the date of the Performance Rights in the period from 1 January 2014 to 30 June 2015 (inclusive of both dates) is \$9,000,000 or greater.
- Class B
- (ii) Class B
- Each Performance Right vests to one share;
 - Performance Rights will vest on 1 July 2016 if the EBITDA in the Company's consolidated group existing as at date of issue of the Performance Rights in the period from 1 July 2015 to 30 June 2016 (inclusive of both dates) is \$30,000,000 or greater.

The following table lists the inputs to the model used for valuation of the performance rights:

| Item | Tranche A | Tranche B |
|---------------------------------|-------------|-------------|
| Volatility (%) (see below) | - | - |
| Risk-free interest rate (%) | - | - |
| Expected life of option (years) | 1.07 | 2.07 |
| Exercise price | nil | nil |
| Underlying security spot price | \$0.286 | \$0.286 |
| Valuation date | 6 June 2014 | 6 June 2014 |
| Vesting date | 1 July 2015 | 1 July 2016 |
| Valuation per option | \$0.286 | \$0.286 |

(c) Valuation of options and performance rights on issue as at 30 June 2014

| | US\$ |
|-------------------------------------------------------------------------------------------------------|------------------|
| <i>Value of share options in Digital CC 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 completion of acquisition</i> | |
| 8,316,710 unlisted options | 1,179,620 |
| 16,633,420 Class A Performance Rights | 1,543,530 |
| 8,316,710 Class B Performance Rights | 110,252 |
| | 2,833,402 |
| Total | 3,475,762 |

21. NOTES TO THE CASH FLOW STATEMENT

| <i>Reconciliation of cash flow from operations with profit / (loss) after income tax</i> | | 30-Jun-14 |
|------------------------------------------------------------------------------------------|-------------|------------------|
| | <i>Note</i> | US\$ |
| Loss after income tax | | (11,216,375) |
| <i>Non-cash flows in loss</i> | | |
| Revenue from bitcoins mined | | (3,959,558) |
| Net fair value gain on bitcoins | | (393,297) |
| Bitcoin mining pool fees | | 61,562 |
| Inventory impairment | 8(b) | 233,435 |
| Corporate transaction accounting expense | 23 | 10,918,065 |
| Depreciation | | 1,831,129 |
| Amortisation | | 1,900 |
| Inventory shrinkage | 8(c) | 254,953 |
| | | (2,268,186) |
| <i>Change in assets and liabilities, net the effects of purchase of subsidiaries</i> | | |
| Decrease / (increase) in trade and other receivable | | (1,810,058) |
| Decrease / (increase) in prepayments | | (58,245) |
| (Decrease) / increase in trade payables and accruals | | 254,693 |
| Decrease) / increase in bitcoins | 14 | 2,324,438 |
| (Decrease) / increase in provisions | | - |
| (Decrease) / increase in tax payable | | 27,141 |
| Net cash used in operating activities | | 1,530,217 |

22. RELATED PARTY TRANSACTIONS

(a) Subsidiaries

Interests in subsidiaries are set out in note 23. 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) Key management personnel

Disclosures relating to key management personnel are set out in Directors' Report.

(c) Transactions with Director related entities

Directors and officers, or their personally-related entities, hold positions in other entities that result in them having controls or significant influence over the financial or operating policies of those entities.

Details of the transactions including amounts accrued but unpaid at the end of the year are as follows:

| Entity | Relationship | Nature of transactions | Transactions Period from 6- Jun-14 to 30-Jun-14 US\$ | Balances 30-Jun-14 US\$ |
|----------------------------|--------------|--------------------------------------------------|------------------------------------------------------------------|-------------------------------|
| Meccano Consulting Pty Ltd | (i) | Reimbursement for corporate administrative costs | - | 5,193 |
| Scopa Family Trust | (ii) | Reimbursement for corporate administrative costs | - | 1,573 |
| Zhenya Holdings Pty Ltd | (iii) | Repayment of working capital loan | 2,696,211 | - |
| Technology IQ Limited | (iv) | Bitcoin mining Pool fees incurred | 61,562 | - |

- (i) Meccano Consulting Pty Ltd (Meccano) is a company associated with Mark Freeman, a Non-Executive Director who resigned on 5 June 2014.
- (ii) Scopa Family Trust is a company associated with Scott Jones, a Non-Executive Director, who resigned on 5 June 2014.
- (iii) Zhenya Holdings Pty Ltd is a company associated with Executive Chairman, Eugeni 'Zhenya' Tsvetnenko, who was appointed on 5 June 2014. The loan repayment was made to Zhenya Holdings Pty Ltd in settlement of the loan received by the Group from Lydian Enterprises Pty Ltd (a company controlled by Eugeni 'Zhenya' Tsvetnenko) of A\$2.8 million (including A\$74,424 of interest)
- (iv) Technology IQ Limited (which trades under the name 'CloudHashing') is a company associated with Mr Adeniyi Olalekan 'Emmanuel' Abiodun who was appointed Non-Executive Director on 5 June 2014 and resigned 5 September 2014.

At the end of the year the following loans were owed by wholly owned subsidiaries of the Company:

(d) Other transactions with key management personnel of the Group

- Digital CC IP Pty Ltd purchased the domain name bitcoin.com.au from Magna Fortis Pty Ltd (a company controlled by Zhenya Tsvetnenko) for US\$23,000. The purchase amount was the cost to acquire the domain name by Magna Fortis Pty Ltd from a third party unrelated vendor.
- Digital CC Holdings Pty Ltd paid interest of A\$74,424 on a loan of A\$2.8 million from Lydian Enterprises Pty Ltd (a company controlled by Zhenya Tsvetnenko) which was repaid on the 23 June 2014. Interest was paid on the agreed rate of 15% per annum.
- Digital CC Holdings Pty Ltd paid Mpire Media Pty Ltd (a company controlled by Zhenya Tsvetnenko) A\$7,800 for the design and creation of an investor presentation for an investor roadshow as part of the capital raising by the consolidated group.
- Digital CC Holdings Pty Ltd paid Karis Holdings Inc (a company controlled by Alex Karis) US\$153,940 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 its office space with Karis Marketing Group in Boston, Massachusetts and these costs incurred by the consolidated group were charged through Karis Holdings Inc.
- Digital CC Trading Pty Ltd has entered into a 12 month Bitcoin Mining Contract with Digi8 Limited (a company 50% owned by Zhenya Tsvetnenko) on 31 Jan 2014 for \$80,000 to supply 8,000 GH/s of processing power at USD \$10.00 per GH/s.

- Digital CC Holdings Pty Ltd entered into a Shareholder and Directors' Loan Agreement on 7 March 2014 with William Brindise, Technology IQ Limited (a company controlled by Emmanuel Abiodun, NRB International LLC (a company controlled by William Brindise), Digital Man LLC (a company controlled by Alex Karis), and Magna Fortis Pty Ltd (a company controlled by Zhenya Tsvetnenko) to provide unsecured funding to Digital CC Holdings Pty Ltd. The Shareholder and Directors' Loan Agreement was amended on 24 March 2014 to increase the loans provided by each of the parties to Digital CC Holdings Pty Ltd to the following amounts: Lydian Enterprises Pty Ltd ATF Lydian Trust A\$750,000, Digital Man LLC A\$150,000, NRB International LLC A\$235,675, and Technology IQ A\$200,000. On 5 June 2014, the shareholder and director loans were repaid through the subscription of new shares in the placement by Digital CC Limited at 20 cents per share to raise A\$9.1 million.

23. 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 2014 |
|-------------------------------|------------------------|--------------------------|
| Digital CC Management Pty Ltd | Australia | 100% |
| Digital CC Trading Pty Ltd | Australia | 100% |
| Digital CC IP Pty Ltd | Australia | 100% |
| Digital CC Limited | Hong Kong | 100% |
| Digital CC IP Limited | Hong Kong | 100% |
| Digital CC Holdings USA Inc | United States | 100% |
| Digital CC USA LLC | United States | 100% |
| Digital CC USA Services LLC | United States | 100% |
| Pass Petroleum Pty Ltd | Australia | 100% |
| Pass Petroleum LLC | United States | 100% |
| Versus Energy LLC | United States | 100% |

Acquisition of Controlled Entity

On 6 June 2014, Digital CC Limited (formerly Macro Energy Limited), the legal parent and legal acquirer, completed the acquisition of Digital CC Holdings Pty Ltd (Digital CC Holdings) (the legal acquiree) through the issue of 82,764,655 shares in Digital CC Limited and various options and performance rights (refer Note 20).

The Acquisition has been accounted for by analogy to the guidance for reverse acquisitions in AASB 3 *Business Combinations* because, as a result of the Acquisition, the former shareholders of Digital CC Holdings (the legal subsidiary) obtained accounting control of Digital CC Limited (the legal parent). Accordingly the application of the reverse acquisition guidance in AASB 3 by analogy results in Digital CC Limited, the legal parent, being accounted for as the subsidiary, and Digital CC Holdings, the legal subsidiary, being accounted for as the accounting parent.

The Acquisition did not meet the definition of a business combination in accordance with AASB 3 *Business Combinations* as Digital CC was deemed for accounting purposes not to be a business and, therefore, the transaction is not a business combination within the scope of AASB 3. Instead the acquisition has been accounted for as a share-based payment transaction using the principles of share based payment transactions in AASB 2, and in particular the guidance in AASB 2 that any difference in the fair value of the shares issued by the accounting acquirer (Digital CC Holdings) and the fair value of the accounting acquiree's Digital CC Limited (formerly Macro Energy Limited) identifiable net assets represents a service received by Digital CC Holdings, including payment for a service of an ASX stock exchange listing.

By analogy to reverse acquisition accounting principles the consideration is deemed to have been incurred by Digital CC Holdings Pty Ltd in the form of equity instruments issued to Digital CC Limited shareholders. The acquisition date fair value of the consideration has been determined with reference to the fair value of:

- the issued shares (38,074,988 shares) of Digital CC Limited immediately prior to the acquisition, determined to be \$10,095,395; and
- the options in issue (3,849,518 options) of Digital CC Limited immediately prior to the acquisition, determined to be \$642,360

As Digital CC Limited is deemed to be the acquiree for accounting purposes, the carrying values of its assets and liabilities are recorded at fair value at Acquisition date. No adjustments were required to the historical book values.

Consideration

| | 6-Jun-2014 US\$ |
|---------------------------------------------------------------------------------------------------|--------------------|
| Fair value of Digital CC Limited | |
| Fair value of ordinary shares on issue in Digital CC Limited on 6 June 2014, prior to acquisition | 10,095,395 |
| Fair value of options issued by Digital CC Limited prior to acquisition | 642,360 |
| | 10,737,755 |
| Transaction costs (refer Note 20) | 2,833,402 |
| | 13,571,157 |
| Total value of consideration | 13,571,157 |

Legal fee costs of \$374,429 incurred by Digital CC Holdings in relation to the merger have been expensed.

The fair value of acquired net assets and the resulting expense are as follows:

| | 6-Jun-14 US\$ |
|-------------------------------------|-------------------|
| Identifiable assets acquired | |
| Cash on hand | 727,445 |
| Receivable | 263,870 |
| Prepayments | 278,692 |
| Property, plant and equipment | 2,151 |
| Loan to Digital CC Holdings Pty Ltd | 1,895,229 |
| Payables | (410,748) |
| Rehabilitation Provision | (103,547) |
| NET ASSETS ACQUIRED | 2,653,092 |
| Consideration paid | 13,571,157 |
| Expense recognised on acquisition | 10,918,065 |

The net cash flow arising as a result of the acquisition was a cash inflow of \$727,445.

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24. 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 2014 US\$ | 30 June 2013 US\$ |
|-------------------------------------------------|----------------------|----------------------|
| Financial position | | |
| Assets | | |
| Current Assets | 1,200,040 | 1,295,346 |
| Non-Current assets | 42,524,070 | 3,306 |
| Total Assets | 43,724,110 | 1,298,652 |
| Liabilities | | |
| Current liabilities | 450,611 | 59,920 |
| Non-current liabilities | - | - |
| Total liabilities | 450,611 | 59,920 |
| Equity | | |
| Issue capital | 56,850,067 | 24,244,118 |
| Accumulated losses | (18,339,468) | (24,819,944) |
| Reserves | 4,762,900 | 1,814,558 |
| Total equity | 43,273,499 | 1,238,732 |
| Financial Performance for the year ended | | |
| Loss for the year | (1,279,783) | (477,498) |
| Other comprehensive income/(loss) | - | - |
| Total comprehensive loss | (1,279,783) | (477,498) |

Digital CC Limited (formerly Macro Energy Limited) changed its functional currency from Australian dollars to US\$ effective 6 June 2014. The 30 June 2013 amounts have been translated to US\$ based on AUD/USD of 0.914 as at 30 June 2013.

(b) Commitments and contingent liabilities of the parent

The parent entity did not have any contingent liabilities or commitments, as at 30 June 2014.

(c) Guarantees entered into the parent entity

There were no guarantees entered into by the parent entity.

25. SUBSEQUENT EVENTS

| Date of event | Details of event |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8 July 2014 | Digital CC Limited received an amount of \$207,422 in relation to a deposit previously paid by it (i.e. prior to the acquisition of Digital CC Holdings) to acquire the rights to a Spanish Oil and Gas asset in 2013. |
| 23 July 2014 | The deposit of US\$600,000 which was provided to the US Marshalls as part of its bitcoin auction was returned to Digital CC USA LLC. |
| 7 August 2014 | The Company announced an investment of approximately US\$1.3 million to expand the Company's Bitcoin mining capacity, purchasing specialised equipment manufactured by the BitFury Group. The investment is expected to increase the Company's Bitcoin mining capacity by approximately 90%. |
| 8 September 2014 | The Company announced it has leased 11% of its first generation mining capacity to PeerNova Inc., for an upfront payment of US \$460,000. |
| 17 September 2014 | The Company has announced the formation of a joint venture with the owners of the leading digital currency trading site Cryptsy.com, to provide various crypto-currency mining services to digital currency users. As part of the deal US\$250,000 of Companies shares at a valuation of AU\$0.30 per share, will also be issued to the owners of Cryptsy. |

There were no other reportable subsequent events.

26. POST PRELIMINARY REPORT EVENTS

Between the period of the release of the Preliminary Final Report and the Final report for financial year ending 30 June 2014 events have been identified that were reflected in the Final report, summary of the identified events impact on the Companies Profit and Loss is shown below:

| | 30-Jun-14 US\$ Final | 30-Jun-14 US\$ Preliminary | US\$ Movement |
|-----------------------------------------------------------|----------------------------|----------------------------------|------------------|
| Revenue from bitcoins mined | 3,959,558 | 3,959,558 | - |
| Net fair value gain on bitcoin inventory held for trading | 393,297 | 393,297 | - |
| Other income | 56,480 | 56,480 | - |
| Bitcoin mining pool fees | (61,562) | (61,562) | - |
| Loss on sale of bitcoin mining contract | (34,094) | (34,094) | - |
| Power and hosting expenses | (522,820) | (416,500) | (106,320) |
| Professional and consultancy fees | (786,340) | (786,340) | - |
| Corporate expenses | (70,631) | (70,631) | - |
| Interest expense | (115,728) | (69,830) | (45,898) |
| Employee benefit expenses | (520,923) | (520,923) | - |
| Share based payments – employee benefits | - | (7,612) | 7,612 |
| Inventory write-down | (233,435) | (233,435) | - |
| Depreciation | (1,831,129) | (1,831,129) | - |
| Amortisation | (1,900) | (1,900) | - |
| Realised and unrealised foreign exchange losses | (61,288) | (107,178) | 45,890 |
| Corporate transaction accounting expense | (10,918,065) | (10,918,065) | - |
| Other expenses | (440,654) | (431,034) | (7,612) |
| Loss before tax | (11,189,234) | (11,080,898) | (108,336) |
| Income tax expense | (27,141) | (35,947) | 8,806 |
| Loss after income tax from continuing operations | (11,216,375) | (11,116,845) | (99,530) |
| LOSS FOR THE PERIOD | (11,216,375) | (11,116,845) | (99,530) |
| Total comprehensive loss for the period | | | |
| Total comprehensive loss attributable to: | | | |
| Members of the parent entity | (11,216,375) | (11,116,845) | (99,530) |

EXCHANGE LISTING

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

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 5 September 2014

| Name of Shareholders | Total Number of Voting Share in Digital CC Limited in which the Substantial Shareholders and its Associates Hold Relevant Interests | Percentage of Total Number of Voting Shares (%) |
|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| Lydian Enterprises Pty Ltd ATF the Lydian Trust, Eugeni 'Zhenya' Tsvetnenko and Lydia Tsvetnenko | 42,500,411 | 25.31 |
| Alexander David Karis and Digital Man LLC | 20,514,200 | 12.22 |
| Hoperidge Enterprises Pty Ltd | 15,594,792 | 9.30 |
| Technology IQ Limited, Adeniyi Olalekan 'Emmanuel' Abiodun, Benjamin Scott Gorlick and Wizard Investments LLC | 13,414,698 | 7.99 |
| William Reynold Brindise and NRB International LLC | 12,599,897 | 7.50 |
| Mr Craig Ian Burton | 11,039,482 | 6.60 |

CLASS OF SHARES AND VOTING RIGHTS

At 5 September 2014 there were 2,679 holders of 167,939,643 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

- a. each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- b. on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and
- c. on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

The number of shareholders holding less than a marketable parcel is 1,755.

UNLISTED OPTIONS AND PERFORMANCE RIGHTS

| Securities | Number of Securities on issue | Number of Holders | Name of Holders holding more than 20% | Number Held |
|----------------------------------------------------------|-------------------------------|-------------------|------------------------------------------------------------------------|------------------------|
| Options exercisable at \$0.286 on or before 30 June 2017 | 3,849,517 | 8 | Mr Brett Lawrence <The Arcadia Investment A/C> | 1,574,803 |
| Options exercisable at \$0.28 on or before 5 June 2016 | 8,316,710 | 4 | Lydian Enterprises Pty Limited ATF the Lydian Trust Digital Man LLC | 2,495,013 2,495,013 |
| Performance Rights Class A | 16,633,420 | 5 | Lydian Enterprises Pty Limited ATF the Lydian Trust Digital Man LLC | 7,787,767 3,972,061 |
| Performance Rights Class B | 8,316,710 | 5 | Lydian Enterprises Pty Limited ATF the Lydian Trust Digital Man LLC | 3,893,883 1,986,031 |

ESCROWED SECURITIES

The Company has the following securities subject to ASX imposed escrow until 16 June 2016.

| | |
|------------|-------------------------------------------------------------|
| 83,950,831 | Ordinary Shares |
| 16,550,252 | Performance Rights Class A |
| 8,275,126 | Performance Rights Class B |
| 8,316,710 | Unlisted Options exercisable at \$0.28 expiring 5 June 2016 |

The Company has the following securities subject to ASX imposed escrow until 5 June 2015.

| | |
|---------|----------------------------|
| 413,824 | Ordinary Shares escrowed |
| 83,168 | Performance Rights Class A |
| 41,584 | Performance Rights Class B |

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

LISTING OF 20 LARGEST SHAREHOLDERS AS AT 5 SEPTEMBER 2014

| | Shareholder | Shares Held | Percentage Held |
|----|------------------------------------------------------------------------------------------|--------------------|-----------------|
| 1 | Lydian Enterprises Pty Ltd <Lydian A/C> | 38,750,411 | 23.07 |
| 2 | Digital Man LLC | 19,764,200 | 11.77 |
| 3 | Hoperidge Enterprises Pty Ltd | 14,969,792 | 8.91 |
| 4 | Technology IQ Limited | 13,414,698 | 7.99 |
| 5 | NRB International LLC | 12,599,897 | 7.50 |
| 6 | Alba Capital Pty Ltd | 9,539,482 | 5.68 |
| 7 | Lydian Enterprises Pty Ltd <Lydian A/C> | 3,750,000 | 2.23 |
| 8 | Mr Scott Paul Jones + Mr Rodney Malcolm Jones + Mrs Carol Robin Jones <Scopa Family A/C> | 3,664,794 | 2.18 |
| 9 | Mr Shane Robert Jones + Mrs Carol Robin Jones <Rosh Family A/C> | 2,688,730 | 1.60 |
| 10 | DJ Carmichael Pty Limited | 1,600,000 | 0.95 |
| 11 | Peterlyn Pty Ltd <RPC Salmon Super Fund A/C> | 1,500,000 | 0.89 |
| 12 | 18 Knot Ventures Pty Ltd <Green Arrows A/C> | 1,000,000 | 0.60 |
| 13 | Aviemore Capital Pty Ltd | 1,000,000 | 0.60 |
| 14 | Digital Man LLC | 750,000 | 0.45 |
| 15 | Mr Shane Robert Jones + Ms Carol Robin Jones <Rosh Family A/C> | 749,906 | 0.45 |
| 16 | Edgepower Pty Ltd <Paul Watters Super Fund A/C> | 650,000 | 0.39 |
| 17 | Mr Logan Tait Robertson | 575,000 | 0.34 |
| 18 | Oakquest Pty Ltd <Lawrence Family S/Fund A/C> | 567,460 | 0.34 |
| 19 | Metis Pty Ltd | 534,991 | 0.32 |
| 20 | Mr William Murray Mitchell + Mrs Diane Joan Mitchell <Mitchell Super Fund A/C> | 506,999 | 0.30 |
| | TOTAL | 128,576,360 | 76.56 |

DISTRIBUTION OF SHAREHOLDERS

| Spread of Holdings | Number of Ordinary Shareholders |
|--------------------|---------------------------------|
| 1 – 1,000 | 1,227 |
| 1,001 – 5,000 | 683 |
| 5,001 – 10,000 | 224 |
| 10,001 – 100,000 | 431 |
| 100,001 and over | 114 |
| 1 – 1,000 | 1,227 |
| 1,001 – 5,000 | 683 |
| Total | 2,679 |