

ASX ANNOUNCEMENT

10 April 2015



DigitalCC Limited

Innovative Digital Currency Solutions

Digital CC Limited ABN 59 009 575 035

ASX Code: DCC

Trading as digitalBTC

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March 2015 Quarterly Report

Significant progress towards strategy implementation and launch of first FinTech product

Highlights

- **Launch of Mintsy, the first of the Company's FinTech products**
- **Commencement of beta testing for digitalX Direct's dynamic software portal**
- **Development of digitalX Pocket on track to be launched in H2 this year**
- **Implementation of significant overhead and executive salary cost reductions**
- **Adequate funding in place for at least the next 12 months with planned de-emphasis on the capital intensive trading business**
- **Review of new business opportunities in the payments sector - to leverage digitalBTC intellectual property following continued growth in mainstream adoption**

Emerging digital payments company Digital CC Limited (ASX: DCC) (the "Company" or "digitalBTC") today announces its quarterly report for the quarter ended 31 March 2015. The Company has made significant progress towards implementing key initiatives to its business plan with the launch of its first FinTech software product focused on the emerging digital currency sector.

Operational Overview

Financial Technology (FinTech) Products

digitalBTC is continuing the development and launch of consumer software applications providing consumers with the option to access alternative platforms and payment methods. The Company has already launched two of its financial technology products:

digitalX Direct (<https://digitalxdirect.com/>), a private dynamic liquidity portal designed to provide real time Bitcoin liquidity to institutional investors and large commercial operators. During the quarter, turnover increased 317% to \$3.8 million.

digitalX Mintsy (<http://www.mintsy.co/>), is the software supporting verification and processing of the digital currencies transaction, developed in a joint venture with digital exchange Cryptsy.

The software is designed for the professional segment of the digital currency marketplace, allowing users to undertake a range of activities, including the development of new digital currencies and providing additional stability and speed to existing networks. Customers are able to lease large scale specialist computing power used to verify a range of digital currency transactions and apply this computing power across multiple algorithms and pools.

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With over 30,000 pre-enrolments since promotion began in late 2014, demand for digitalX Mintsy was stronger than anticipated and is expected to grow upon launch, as Cryptsy promotes the software to its customer base of over 250,000 registered users.

Launch of next FinTech product - digitalX Pocket:

digitalX Pocket (<https://pocket.digitalx.com/>), a mobile software application (app) targeting the mass adoption digital currency in the consumer market. Pocket aims to facilitate digital and real world purchases using digital currency through both a mobile and web application.

The software app makes online transactions simpler and more secure, allowing users to transfer funds instantly, anywhere in the world at anytime eliminating traditional transaction cut off times and costs. digitalX Pocket is expected to launch in the second half of the year and upon pre-launch promotion received more than 35,000 pre-enrolments in less than 30 days.

Corporate Overview

Implementation of Cost Reduction Program

A core focus of the program was to reduce the executive management salaries by up to ~40% effective from 1 February, and significantly reduce overhead costs across the Company. This is in line with the Board's objective to maximise working capital and strengthen the available resources to fast track the launch of the Company's FinTech products.

To minimise the operating costs for transaction verification (Bitcoin mining) operations, digitalBTC signed a new power contract with leading data centre provider Verne Global to reduce its power costs by approximately 20% across half of the Company's power commitment.

The company's launch of its digitalX Mintsy product, focused on selling hashing power which users can buy and utilise to mine cryptocurrencies of their choice, will see digitalBTC being able to on-sell processing capacity.

Summary of Working Capital Position

The Company had cash and Bitcoin inventory of US\$3.0m at 31 March 2015. This consisted of US\$1.4m in cash and US\$1.6m in Bitcoins.

The Bitcoin market is highly liquid and Bitcoins can be easily and quickly exchanged into cash if and when required.

Based on the current level of cash, bitcoin and short term receivables, the company has adequate funding in place to cover operational expenditure commitments for at least the next 12 months. This also takes into account a planned de-emphasis on the capital intensive trading business and relative stability in bitcoin prices.

Market Developments

During 2014, there was significant growth in the digital currency market, both in terms of the volume of transactions, sector investment and broader merchant adoption and the trend has continued into 2015, with Coindesk estimating the number of Bitcoin wallets for 2015 to double to 12 million compared to 6.5 million in 2014.

Increased Adoption in the Travel & Hospitality industries

We have particularly seen a rise the adoption of Bitcoin as a payment method in the Travel & Hospitality industries, with Australia & New Zealand's leading online travel agency, Webjet, becoming the first online travel agency in Australia to accept digital currencies, joining the likes of Expedia and CheapAir. Webjet's CEO Paul Ryan also reported the company's plans to introduce new payment methods in the realm of mobile wallets.

While Universal Air Travel Plan (UATP) partnered with payment processor Bitnet to enable UATP to accept digital currencies. This partnership now allows over 260 UATP airlines, as American Airways and Qantas, to accept Bitcoin for payment through Bitnet's gateway.

Hotels have also started to accept Bitcoin for payment, in addition to the gasoline industry where users can purchase gas station gift cards with Bitcoin on CoinFueled.com. Further to taxi services in New York where taxi rides can be paid using Bitcoin.

digitalBTC believes one of the benefits of Bitcoin is the ability to take away the need for currency exchanges which avoids significant currency exchange fees.

Conference Presence

Bitcoin continued to make its mark in the technology world by appearing at the Consumer Electronics Show (CES) in Las Vegas, one of the most renowned conventions in the technology industry, bringing in over 170,000 attendees. According to booth representatives and media that attended the show, the "World of Bitcoin" exhibit, which included about a dozen Bitcoin companies, attracted a significant amount of attention.

Whilst the Payments Innovation 2015 conference took place in Sydney at the end of February with Australian Digital Currency Commerce Association Director, Chris Guzowski, chairing day 2 of the conference and discussing the trends which are now driving and disrupting the payments industry.

Further Merchant Adoption, in Australia and Globally

Microsoft has made further progress into Bitcoin adoption announcing that its Bing search engine will now automatically convert currency denominations to Bitcoin.

PayPal subsidiary Braintree, used by companies such as Uber and AirBnB, has also recently announced that merchants using their payments platform can now accept payments in Bitcoin using a Coinbase Bitcoin wallet.

Furthermore, Bitcoin is making an impact on blue chip technology companies that are beginning to integrate block chain technology into their research and development projects. For example, IBM is marrying block chain technology with its work on the Internet of Things (IoT).

These developments are further evidence of the continued growth and uptake of digital currency payment methods in Australia and beyond, and the potential of the underlying technology.

Coinbase & 21 Inc.raise over US\$190 million in funding

In addition to Coinbase's \$75 million capital raising earlier this year, a Silicon Valley startup, 21 Inc., raised \$116 million in venture capital, the largest amount by a startup in the digital-currency sector. The lead investors included: PayPal co-founders Peter Thiel and Max Levchin, eBay Inc. co-founder Jeff Skoll, Dropbox Inc. CEO Drew Houston and Qualcomm Inc.

Outlook

digitalBTC continues to develop software products and features which complement its current technology. The Company is confident in the potential for its technology in micro-payments and international remittances and is seeking to service this area with its soon to be launched product digitalX Pocket. The interest and pre-enrollments experienced to date for both digital Pocket and digitalX Mintsy are evidence of the demand in the market for these solutions and we are encouraged by the level of interest.

Through the development of further digital payments products digitalBTC is continuing with its strategy to become a vertically integrated software development payments company in the growing digital currency market. The products currently in development will support and tie into the ever growing adoption of digital currencies and payments systems and provide users with the tools and products necessary to obtain the benefits of digital currencies.

digitalBTC's Executive Chairman, Zhenya Tsvetnenko, commented:

"We have made significant progress this quarter and continue to deliver on our strategy to become a vertically integrated software development payments company.

We are now reviewing opportunities to expand the operations of digitalX Direct after last year's pleasing performance. I am pleased to note that start of this year has been encouraging for the market as number of significant financial institutions backing the digital currency industry such as The New York Stock Exchange, alongside investments from the CEOs of Citigroup and Thomson Reuters.

I am excited about the huge potential for our software as it enables digital currencies to be used for micropayments and remittances reducing transfer fees via digital currencies. The fees associated with digital currencies are significantly smaller than traditional remittance fees and the software digitalBTC is developing will leverage these smaller fees for users for both micropayments and remittances.

Our goal is to lead the way in the sector as the uptake of digital currencies continues and has the capacity to transform global payments."

-ENDS-

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digitalBTC

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

Name of entity

Digital CC Limited

ABN

59 009 575 035

Quarter ended ("current quarter")

31-March-2015

		Current quarter USDS*000	Year to date USDS*000
Cash flows related to operating activities			
1.1	Cash receipts from sale of bitcoins	8,209	21,301
1.2	Payments for		
	(a) staff costs	(528)	(1,508)
	(b) advertising & marketing	(49)	(237)
	(c) research and development expense	-	(31)
	(d) leased assets	-	-
	(e) Administrative and corporate costs	(307)	(948)
	(f) professional fees	(232)	(1,058)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income Taxes paid	-	(3)
1.7	Other (provide details if material)		
	(a) Prepayment of power and hosting**	-	(483)
	(b) Power and hosting of bitcoin mining equipment	(989)	(2,410)
	(c) Purchase of bitcoins for Liquidity Desk	(7,877)	(18,071)
	(d) Receipt of US Marshall deposit	-	600
	(e) Receipt of lease fee for mining hardware	-	258
	(f) Receipt/(Payment) of Iceland VAT	(118)	1,042
		-	-
1.8	Net Operating Cash Flows	(1,892)	(1,546)
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	(186)	(263)
	(d) physical non-current assets	(27)	(46)
	(e) other non-current assets	-	-
	(f) mining equipment	(1,147)	(1,147)
	(g) joint venture investment	(265)	(265)
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Cash acquired through business combinations	-	-
1.13	Other (security deposit)	-	-
	Net investing cash flows	(1,625)	(1,721)
1.14	Total operating and investing cash flows	(3,517)	(3,267)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited share	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other (Cost of Capital)	-	-
	Net financing cash flows	-	-

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	Net increase (decrease) in cash held	(3,517)	(3,267)
1.21	Cash at beginning of quarter/year to date	4,909	4,575
1.22	Exchange rate adjustments to item 1.21	(16)	67
1.23	Cash at end of quarter **	1,375	1,375
	<i>** Does not include value of bitcoin inventory</i>		
	Payments to directors of the entity and associates of the directors		
	Payments to related entities of the entity and associates of the related entities		
		Current quarter USDS'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	261	
1.24	Aggregate amount of loans to the parties included in item 1.10	-	
1.25	Explanation necessary for an understanding of the transactions Salary, Director fees and reimbursement of corporate costs		
	Non-cash financing and investing activities		
2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows N/A		
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest N/A		
	Financing facilities available <i>Add notes as necessary for an understanding of the position.</i>		
		Amount available USDS'000	Amount used USDS'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-
	Reconciliation of cash		
	Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		
		Current quarter USDS'000	Previous quarter USDS'000
4.1	Cash on hand and at bank	1,252	2,137
4.2	Cash at exchanges	123	2,772
4.3	Bank overdraft	-	-
4.4	Other (procide details)	-	-
	Total: cash at end of quarter (item 1.23)	1,375	4,909
	Acquisitions and disposals of business entities		
		Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1	Name of entity	-	-
5.2	Place of incorporation or registration	-	-
5.3	Consideration for acquisition or disposal	-	-
5.4	Total net assets	-	-
5.5	Nature of business	-	-

Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act
- This statement does give a true and fair view of the matters disclosed.

Sign here:



10-Apr-15

Mark Laybourn
Chief Financial Officer

Notes

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