



*digital***BTC**

Innovative Digital Currency Solutions

A Digital Currency Technology Company

Annual General Meeting Presentation - November 2014

(ASX: DCC)

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## digitalBTC is a technology company, first mover in the new digital currency sector

- First digital currency company listed on a major exchange - Digital CC Limited (ASX:DCC)
- Revenue \$4m and EBITDA \$2.5m<sup>1</sup> for 3.5 months of significant operations to 30 June 2014
- Fully vertically integrated digital currency enterprise - consumer applications to mining (transaction verification)



## Digital currencies and Blockchain technologies are set to disrupt and revolutionise worldwide digital payment applications and contract systems

- Digital currencies are a new way to store and transmit value, enabled by the now widespread reach of mobile internet and smartphones
- Bitcoin is the leading digital currency which enables instant, secure and free transactions across the internet
- Blockchain technology set to revolutionise electronic commerce. The Bank of England recognised the technology as a “significant innovation” that could have “far-reaching implications”.



Note 1: For a reconciliation of the statutory accounting result to underlying refer to Note 6 of the Annual Report lodged with ASX – 30 September 2014

# Capital Structure and Major Shareholders (ASX- DCC)

| Capital Structure   |                          |
|---|--------------------------|
| Current Shares on Issue   | <b>168,772,977</b>       |
| Performance Rights (2015) <sup>1</sup> \$9m EBITDA                              | <b>16,633,420</b>        |
| Performance Rights (2016) <sup>2</sup> \$30m EBITDA                             | <b>8,316,710</b>         |
| Options (2016) <sup>3</sup>   | <b>12,166,227</b>        |
| Market Cap @ \$0.19   | <b>A\$32 million</b>     |
| Cash and coins at 30 September 2014 (includes \$1m VAT refund post quarter end) | <b>~US\$ 8.6 million</b> |

| Substantial Shareholders               |       |
|--|-------|
| Zhenya Tsvetnenko (Executive Chairman) | 25.6% |
| Alex Karis (CEO)                       | 12.2% |
| William Brindise (Executive Director)  | 7.5%  |
| Peernova (Technology IQ)               | 7.4%  |
| Rod Jones and associates               | 9.3%  |
| Craig Burton and associates            | 6.6%  |

1. Performance rights which will vest on 1 July 2015 if EBITDA derived from digital currency activities prior to 30 June 2015 is \$9 million or greater

2. Performance rights which will vest on 1 July 2016 if EBITDA derived from digital currency activities between 1 July 2015 and 30 June 2016 is \$30 million or greater

3. The separate classes of Options are as follows: (a) 3,849,517 options exercisable at \$0.286 on or before 30 June 2017; and (b) 8,316,710 options exercisable at \$0.28 on or before 5 June 2016.

## **Preliminary FY14 Bitcoin mining and trading segment results<sup>1</sup> from only 3.5 months of significant operations:**

- Revenue US\$4.0m
- Normalised EBITDA US\$2.5m
- Underlying NPAT US\$0.6m<sup>1</sup>

## **Statutory financial result of Digital CC Limited:**

- NLAT of US\$11.1m caused by non-cash RTO accounting expense \$11.7m\*

\*(Due to International Financial Reporting Standards (IFRS) treatment of the reverse takeover transaction)

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# Why Bitcoin Can Revolutionize the Worlds Financial Systems

## Set to disrupt a \$1 trillion payments industry

- In 2013, payments businesses generated\*:
  - \$425 billion in transaction revenues
  - \$336 billion in account-related revenues
  - \$248 billion related to credit cards
- Split approximately 70/30 between retail and wholesale
- Fees are very high, inefficient systems
- Consumers are ready for convenient mobile payments
- Large US market laggard in technology adoption



## Blockchain technology can finally apply the disruptive power of the internet to payments and contracts

- Internet has fundamentally changed music, media, advertising and retailing
- Payments and electronic commerce industries to be disrupted through this new technology
- Opportunities now being seized by savvy investors:
  - ~US\$380 million total VC investment in digital currency start-ups to date
  - ~US\$290 million in 2014 alone – on track to beat 1995 early stage internet investments
- digitalBTC is a digital currency technology company listed on the ASX



# Who Is Backing Digital Currencies To Change The World?

*More \$ invested to date in Digital Currencies technology than the internet in early 1990's*

**Richard Branson** “I believe in its potential, the capacity it has to transform global payments is very exciting.”

Founder of Virgin Records

**Ben Bernanke** “[Virtual Currencies] may hold long-term promise, particularly if the innovations

Chairman of the Federal Reserve USA

promote a faster, more secure and more efficient payment system.”

**Eric Schmidt** “Bitcoin is a remarkable cryptographic achievement and the ability to create something that

CEO of Google

is not duplicable in the digital world has enormous value.”

**Al Gore** “I’m a big fan of Bitcoin ... Regulation of money supply needs to be de-politicized.”

Former US Vice President and winner of Nobel Peace Prize

**Bill Gates** “Bitcoin is a technological tour de force.”

Microsoft co-founder

## Payment of Goods & Services

Consumer can make purchases by **scanning code** from register and **clicking “PAY”** on their **mobile device**.



## Transfer Money To Anyone

Payments can be made to **anyone, anywhere in the world instantaneously, securely, without any fees** and for any amount without a need for a central bank.





## Bitcoin Mining



### Transaction Verification

- Bitcoin Mining is currently the principal revenue and earnings generator
  - Majority of the underlying ~US\$4.0 million in revenue and ~US\$2.5 million EBITDA at 30 June 2014<sup>1</sup>.
- The Company has now made two investments – US\$4 million and US\$1.3 million in mining hardware
  - Initial US\$4 million cash investment achieved payback of both capital and operational costs within ~4 months.
- digitalBTC continually evaluates the option to either operate the Bitcoin mining equipment to earn new bitcoins, or to seek additional attractive returns from liquidation of the Bitcoin mining hardware prior to the end of its useful life.

Note 1: For a reconciliation of the statutory accounting result to underlying refer to Note 6 of the Annual Report lodged with ASX – 30 September 2014



### What's in Your Pocket?

- In development and will launch product (beta) in early 2015.
- 35,000+ pre enrolments in less than 30 days. A mobile application that makes online transactions simpler and more secure.
- Will allow users to transfer funds instantly, anywhere in the world at anytime eliminating transaction cut off times and costs.
- Phase two of development to include features of **digitalX Mining**, **digitalX Mintsy**, and **digitalX Direct**
- To provide access to crowd funding opportunities, peer to peer lending, and more.
- Secure, user friendly, and totally AWESOME!



### Cloud Mining Contracts:

- Allow customers to participate in the development of bitcoin and alt-coin cloud mining products.
- Is intended to offer multiple packages to accommodate different budgets.
- Competitively priced power and hosting included in the price of cloud mining contracts.



- Launch **digitalX Mintsy** in late 2014
- Joint Venture partner will actively promote digitalX Mintsy to its customer base of over 250,000 registered users
- Revenue streams to include:
  - Sales of cloud mining contracts
  - Collection of fees on the trading of those contracts
  - Available in four languages: English, Chinese, Russian, and Spanish



## Wholesale/ Institutional Liquidity:

- Expand Liquidity Desk operations with **digitalX Direct**
- Automated private bulk liquidity platform for institutional investors and large commercial operators
- First beta transactions commenced, initially with an Island of Jersey regulated investment fund.
- The liquidity desk operations are steadily growing, providing bitcoins to partners with a need for readily available bulk quantities of bitcoin.
- Liquidity activities through institutional investors and commercial operators using strategies as brokering (buying & selling) and lending continue to generate good returns.

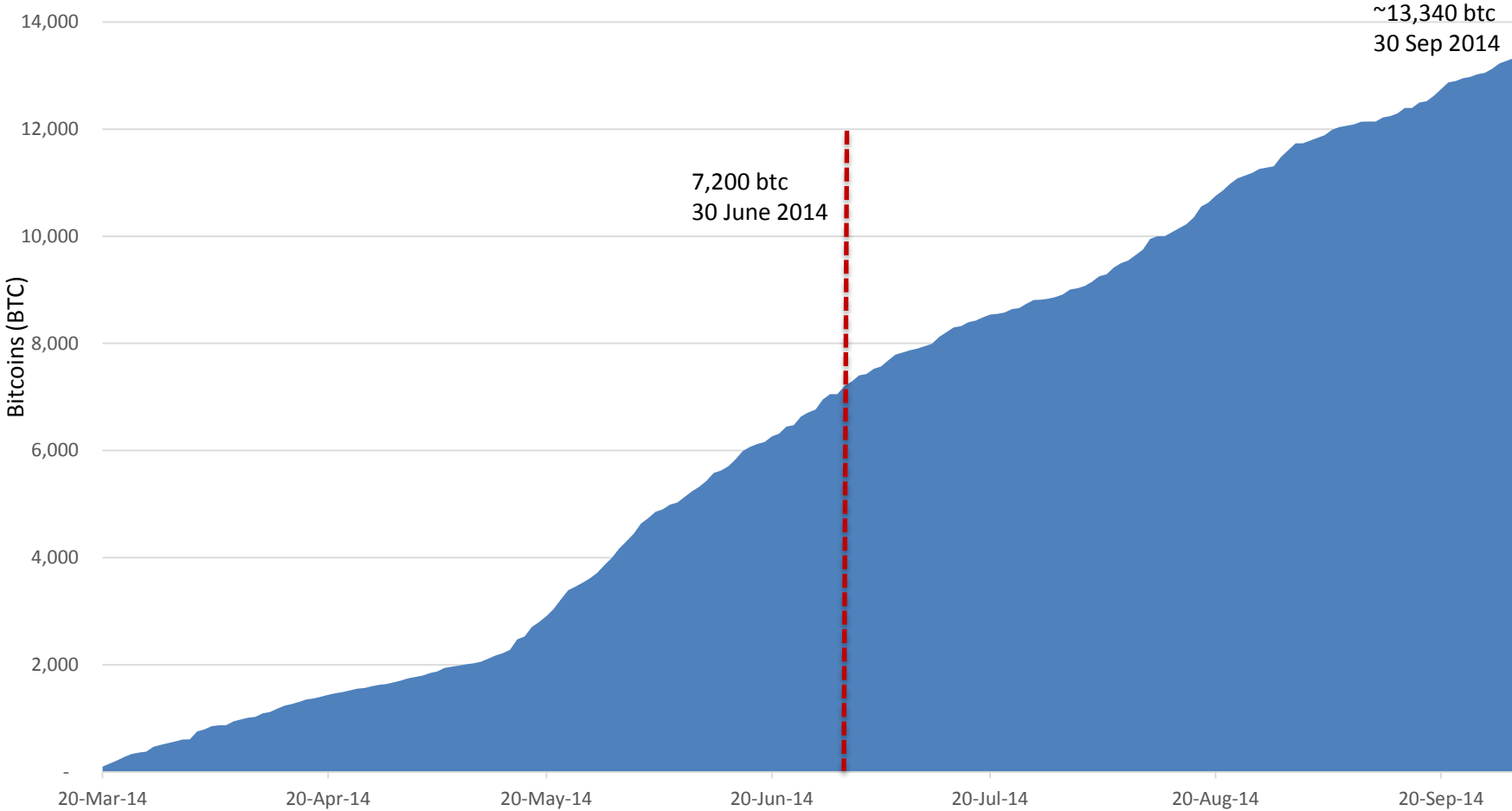


### **Sophisticated Consumer: Datacentre**

- Development of a turn key hosting solution for both SHA-256 and Scrypt miners.
- Intend to provide secure facility with power, cooling and bandwidth to consumers.
- Customers to provide mining equipment and we will host in our own data centre.
- Intend to host own hardware to realise significant reduction in power and hosting expenses.

# Bitcoin Mining - Current Core Revenue Driver

Cumulative BTC mined to 30 September 2014



## Zhenya Tsvetnenko

### Executive Chairman

Mr. Tsvetnenko is a highly successful businessman in the mobile premium messaging services sector including data, music, games, and news. He is a highly successful entrepreneur and is also the founder and current Non Executive Chairman of Mpire Media, a privately held global multimedia and online advertising company servicing international clientele.

**Awarded the prestigious Ernst and 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.**

## William Brindise

### Chief Investment Officer

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 few years started his own trading and 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.

He managed \$20 million and returned an annualized rate of 60% on that money. Mr. Brindise will continue to oversee proprietary trading desk operations and is now focusing on trading Bitcoins at digitalBTC. He holds a bachelor degree in Business and Finance from the Boston University.

## Alex Karis

### Chief Executive Officer

Mr. Karis is Non Executive Chairman and founder of Karis Marketing Group, "KMG", one of the leading US digital marketing companies, providing online and offline marketing services to major US Telecom carriers and Political Consultants. KMG was awarded ING's 500 Fastest Growing Companies Private Companies award in 2013.

Mr. Karis has over 10 years experience as an entrepreneur developing products and procedures for KMG and its clients and has become a leader at offline and online marketing through his robust understanding of client management and customer relationships. Mr. Karis holds a bachelor degree in Marketing at The University of Massachusetts Amherst.

## Brett Mitchell

### Non Executive Director

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 role as a Director.





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Appendices

[www.digitalbtc.com](http://www.digitalbtc.com)

## The Australian Taxation Office has recognised Bitcoin as personal property

- ATO recognises Bitcoins (and other digital currencies) as personal property, subject to CGT
- Existing personal use exemption in CGT code for purchases with Bitcoins under \$10k
- digitalBTC is a founding member of the Australian Digital Currency Commerce Association (ADCCA), which is advocating for a supportive regulatory environment
  - Has met with numerous stakeholders – ATO, regulators, political office holders
  - Ultimate objective of having Bitcoin classed as “money” for GST and other purposes
  - Can be accomplished with minimal legislative changes – definition only
- Digital Economy Forum hosted in conjunction with the G20 in Brisbane for an informative conversation on the increasingly important future place of Digital Currencies in the Global Community.

[www.adcca.org](http://www.adcca.org)

## As a Digital Currency, Bitcoin is both a medium of exchange and more importantly a revolutionary payments system

- “Digital currencies” are a new electronic class of “mediums of exchange”.
  - Perform the same function as money (store and spend value) but in a completely digital environment.
  - Think “EFTPOS without the bank” in the consumer setting or “International money transfers without massive fees” in the commercial setting.
- Digital currencies allow users to send value to each other, and then store or further send that value elsewhere without the need for a central intermediary, such as a Bank to support the process.
- Bitcoin is one of the earliest digital currencies and now more than five years old.
- Digital currencies would not exist without the widespread availability of the internet, particularly mobile internet.
  - Widespread availability of smartphones and mobile internet creates the environment for adoption.

**The inbuilt payments system – which allows transfer of value from one user to another without an intermediary – is the truly DISRUPTIVE technology**

“Personal computers in 1975, the Internet in 1993, and – I believe – Bitcoin in 2014”

Marc Andreessen,  
Co-founder of Netscape

## The most disruptive part of Bitcoin is the Peer to Peer payments

- Solves a long term “Double Spend” problem – how to send value from A to B, and prevent A from also sending the same value to C.
- Traditionally solved by putting a bank in the middle – bank makes sure A has the value they are sending to B, debits it from A, then credits it to B (or their bank). Cross border transactions involve additional complexity and further trusted intermediaries. **ALL of the intermediaries collect a fee.**
- Bitcoin enables peer to peer payments with no intermediary and low to no fees.
  - No trust required – the Bitcoin network provides the “trust” through the immutable power of mathematics and cryptography. All transactions get verified and signed cryptographically by the combined power of the network.

## Potential use cases enabled by bitcoin

- **Consumer credit transactions** – Credit Card fees of ~ 2.5% on payments. Merchants using bitcoin currently have about 1% fees on collecting bitcoin.
- **International settlements** – serious fees and 24-48 hour lag time to send large sums overseas. Bitcoin is instant and low cost.
- **Remittances** – Average global remittance fee of 8.14% per \$200 (\$16.28), Bitcoin is \$0.004. Also alleviates problems with accessing banking services.

## Peer to Peer Payments

- All users create or have created their own individual wallet.
- All transactions get initiated then posted to the Bitcoin network. The network is a cloud structure consisting of the individual participants and the Bitcoin “miners” contributing computing power to verify transactions and run the network.
- All participants see the transaction near immediately once posted – then gets verified by the miners.
- Within ~ 10 minutes the current block of transactions is permanently signed and locked away in a ledger called the blockchain, and irreversible.
  - The immediate visibility supports smaller POS transactions
  - Large transactions “cleared” within 10 minutes
- Bitcoin is a “push” not “pull” system. The payer initiates, not the payee.





## Readily Implemented

Only infrastructure is internet

Establish account at no cost

Minimal documentation needed

Accessible to everyone



## Low Friction Payments

Global network & distribution

Borderless & not subject to FX controls

Pseudo-Anonymous

Bitcoin is not bound by fiat currency



## Safe & Secure

Transactions are secure and irreversible

No chargebacks

Bitcoin cannot be fraudulently created

Total transparency



## Instant Payments

Transactions confirmed instantly

Verified within 5-30 minutes

No financial intermediary

Higher margins and paid daily



## Low Transaction Costs

No transaction costs for Bitcoin

Supports micropayments

Ideal for International remittances

Highly divisible



## Store of Value

Finite money supply (21m)

Rate of new supply defined and public

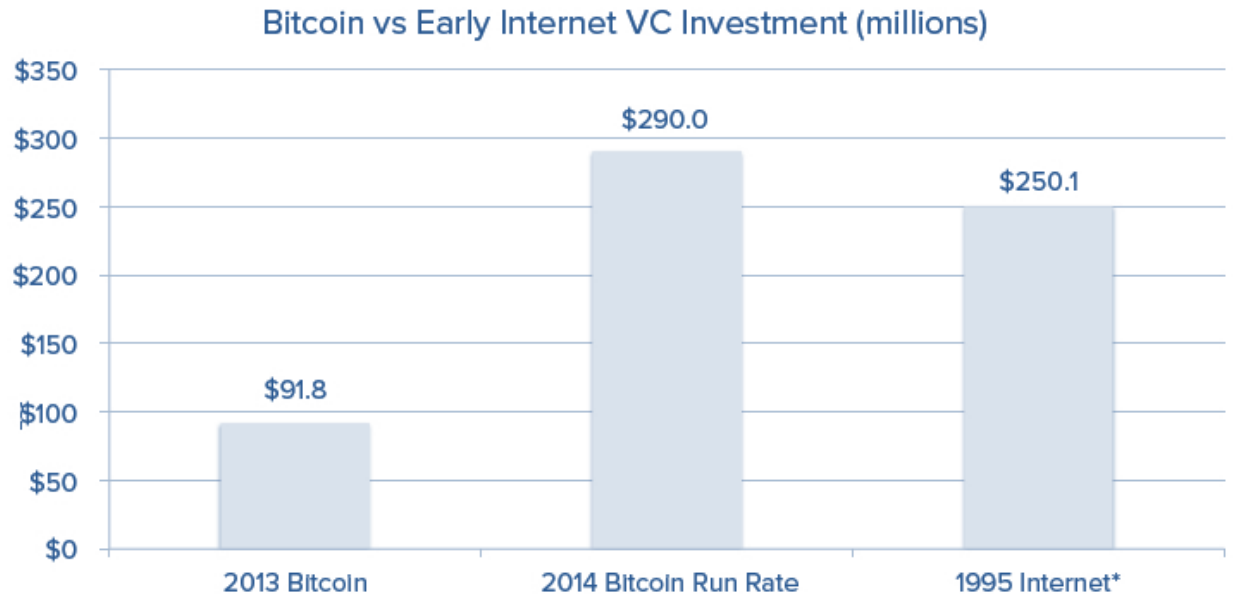
Insulated from central bank policy

Immune from traditional inflation or debasement

# Where is Digital Currency/ Blockchain investment currently At?

- Bitcoin “mainstream” approximately 12 months ago
- ~**US\$380 million total VC investment** in digital currency start-ups to 24 October
- Major merchants now accepting bitcoin– Dell, Expedia, Dish Network etc.
- Price quoted on Bloomberg, Yahoo Finance, Google Finance
- Global regulation emerging in stages
  - Recognised in Australia as personal property
  - General rules for property transactions apply in USA
  - United Kingdom particularly pro digital currencies

## 2014 Bitcoin VC Investment Projected to Surpass Early-Stage Internet Investments



\*Includes first sequence venture deals but excludes late-stage 1995 internet investments (\$257.6m). For additional disclosure on methodology see <http://www.coindesk.com/following-money-trends-bitcoin-venture-capital-investment/>

Source: CoinDesk, [PricewaterhouseCoopers](#)



## ~ 75,000 Merchants Accepting Bitcoin



Dish Networks to accept bitcoins in the third quarter for satellite subscriptions (US\$27bn market company with US\$14bn in revenue)



Expedia, one of the world's largest travel agents now accepting bitcoins for hotel bookings.



Gyft now accepts bitcoins for its mobile gift card product extending to more than 50,000 retail locations, with monthly sales of over US\$1 million in Bitcoin.



Dell (US\$57bn in revenue) now accepting payments for units purchased via [www.dell.com](http://www.dell.com). Received a single \$50k order for PowerEdge servers in first month.



TigerDirect has started accepting bitcoin as a method of payment on over 200,000 products via both its desktop and mobile websites.



Online retail giant Overstock.com started accepting bitcoin payments, and the first month recorded, bitcoin sales totalled \$870,000 and included ~4000 orders. Now taking international orders in bitcoin.



Social gaming giant Zynga is accepting bitcoin for in-app payments in selected games, opening up \$200m per quarter in potential markets for the digital currency.



CheapAir.com has begun accepting Bitcoins to make reservations at over 200,000 hotels in its network.



# Where is Bitcoin Headed?

## Massive disruption ahead

- Seeking to drive adoption.
- Bitcoin is the protocol, now need to deliver the “breakthrough app” to implement.
- Global harmony / consistency in regulation.

## Total Potential Market Cap Disrupted by Bitcoin of \$546bn

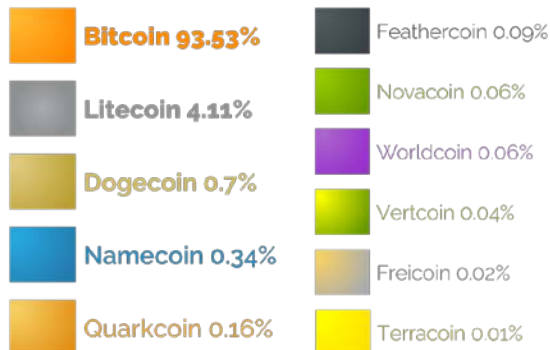
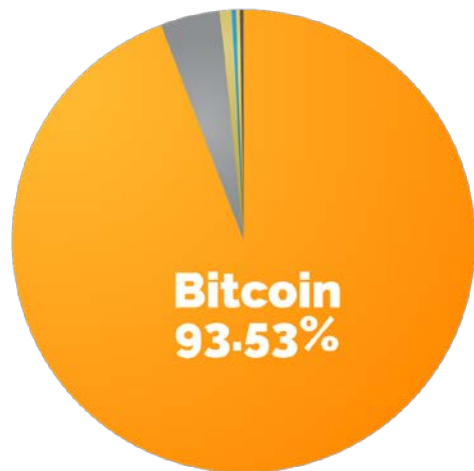
Market Caps (millions) as of 1st July 2014

| <b>Processors</b>                     | <b>Market Cap</b> |
|---------------------------------------|-------------------|
| Visa Inc                              | \$105,228         |
| American Express Co                   | \$100,430         |
| MasterCard Inc                        | \$82,558          |
| Capital One Financial Corp            | \$47,213          |
| Discover Financial Services           | \$28,900          |
| Alliance Data Systems Corp            | \$15,246          |
| Total System Services Inc             | \$5,928           |
| Global Payments Inc                   | \$5,232           |
| Euronet Worldwide Inc                 | \$2,458           |
| Heartland Payment Systems Inc         | \$1,477           |
| Green Dot Corp                        | \$753             |
| <b>Total</b>                          | <b>\$395,422</b>  |
| <b>Money Transfer/ATM Outsourcing</b> | <b>Market Cap</b> |
| Western Union Co                      | \$9,345           |
| Euronet Worldwide Inc                 | \$2,458           |
| Cardtronics Inc                       | \$1,516           |
| MoneyGram International Inc           | \$804             |
| Xoom Corp                             | \$1,001           |
| <b>Total</b>                          | <b>\$15,124</b>   |
| <b>Trust/Escrow</b>                   | <b>Market Cap</b> |
| M&T Bank Corp                         | \$16,311          |
| Associated Banc-Corp                  | \$2,883           |
| PrivateBancorp Inc                    | \$2,268           |
| <b>Total</b>                          | <b>\$21,462</b>   |

| <b>Payment Hardware</b>                    | <b>Market Cap</b> |
|--|-------------------|
| NCR Corp                                   | \$5,892           |
| MICROS Systems Inc                         | \$5,080           |
| VeriFone Systems Inc                       | \$4,106           |
| Ingenico                                   | \$4,802           |
| Diebold Inc                                | \$2,595           |
| Outerwall Inc                              | \$1,210           |
| Wincor Nixdorf AG                          | \$1,895           |
| Agilysys Inc                               | \$316             |
| On Track Innovations Ltd                   | \$79              |
| <b>Total</b>                               | <b>\$25,975</b>   |
| <b>Bank Software</b>                       | <b>Market Cap</b> |
| Fidelity National Information Services Inc | \$15,754          |
| Fiserv Inc                                 | \$15,033          |
| Jack Henry & Associates Inc                | \$5,025           |
| ACI Worldwide Inc                          | \$2,117           |
| <b>Total</b>                               | <b>\$37,930</b>   |
| <b>Securities Exchanges</b>                | <b>Market Cap</b> |
| Intercontinental Exchange Inc              | \$21,753          |
| CME Group Inc                              | \$23,824          |
| NASDAQ OMX Group Inc                       | \$6,591           |
| <b>Total</b>                               | <b>\$52,169</b>   |

Source: Wedbush Securities, CoinDesk

## Cryptocurrencies in Circulation



- ⑩ The growth in transaction volumes, global adoption rates and total market value highlights an enormous gap between bitcoin and its closest peer.
- ⑩ The value of bitcoin in circulation is over **20x higher** than its closest rival – Litecoin.
- ⑩ Bitcoin accounts for over **90%** of the 12 most popular cryptocurrencies in circulation.
- ⑩ **Bitcoin has ~66k transactions occur daily and a total daily trade value of \$55m.**
- ⑩ The cryptocurrency market is a **'winner takes all'** environment
- ⑩ As bitcoin becomes more popular and easier to use, consumers will have much less incentive to try alternative currencies.
- ⑩ Bitcoin is gaining mainstream acceptance and adoption, boosted by high profile retailers and venture capital investors.

## Company Specific

There are a number of specific risks involved for the Company, and consequently its shareholders. These include risks specific to the business and assets of Digital CC, which include the following non-exhaustive list.

- The Company's ability to operate in the future will depend in part on whether it is able to effectively commercialise its potential interests in digital currency and digital currency products. This will depend on successful completion of product development activities, obtaining regulatory approvals and on there being commercial demand for such products which cannot be guaranteed;
- The Directors make no forecast of whether the Company will ever be profitable;
- intellectual property risks as discussed below; and
- additional capital may be required in order to undertake further development activities for the Digital CC business and there is no guarantee that the Company will be able to fund ongoing development.

## Market Risk

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance.

## Key Person Risk

The responsibility of overseeing the day-to-day operations and the strategic management of the Company and Digital CC depends substantially on senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company and Digital CC if one or more of these employees cease their employment or if one or more of the Proposed Directors leaves the Board.

## Regulatory Risks

Digital currencies involve relatively new technology which has been identified as possibly posing risks in relation to law enforcement and government regulation. It is likely that governments worldwide, including Australia, will continue to explore the benefits, risks, regulations, security and applications of digital currencies, such as Bitcoin.

## Technology Risks

Securing rights to technologies, and in particular intellectual property, through licensing or otherwise, is an integral part of securing potential product value in the outcomes of digital currency. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy disputes for which there can be no guaranteed outcome.