

Liquidators' Fourth Report on the State of Affairs of

Digital Asset Exchange Limited (in Liquidation)

Company number: 6261371

NZBN: 9429046068682

13 March 2025



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Introduction

David Ian Ruscoe (IP#50) and Malcolm Russell Moore (IP#42) of Grant Thornton New Zealand Limited (“Grant Thornton”) were appointed jointly and severally as Liquidators of Digital Asset Exchange Limited (“the Company”) on 14 August 2023 at 2:00pm by a special resolution of the shareholders pursuant to section 241(2)(a) of the Companies Act 1993 (“the Act”).

Liquidators of insolvent companies are required to be licensed insolvency practitioners. Information about the regulation of insolvency practitioners is available from the Registrar of Companies.

We have considered the Declaration of Independence, Relevant Relationships and Indemnities provided in our first report and confirm that there have been no changes to it.

We set out below our fourth report on the state of the affairs of the Company for the period from 14 August 2024 to 14 February 2025 (“the Period”) as required by section 255(2)(d) of the Act and section 7 of the Companies (Reporting by Insolvency Practitioners) Regulations 2020 (“the Regulations”).

Restrictions

This report has been prepared by us in accordance with and for the purpose of section 255 of the Act and section 7 of the Regulations. This report is not intended for general circulation, nor is it to be reproduced or used for any purpose without the liquidators’ written permission in each specific instance.

The Liquidators, their employees and agents do not assume any responsibility or liability for any losses occasioned to any party for any reason including as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

The Liquidators reserve the right (but will be under no obligation) to review this report and, if considered necessary, to revise the report in light of any information existing at the date of this report which becomes known to them after that date.

We have not independently verified the accuracy of the information provided to us and have not conducted any form of audit in respect of the Company. We express no opinion on the reliability, accuracy or completeness of the information provided to us and upon which we have relied. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.

The statements and opinions expressed in this report are based on information available and assumptions made as at the date of this report. It is possible that actual outcomes may be significantly different from those disclosed in this report.

In addition, the following should be noted:

- Certain values included in tables in this report have been rounded and therefore may not add exactly; and
- All amounts are stated in New Zealand dollars.

Conduct of the liquidation

Receipts and Payments

There have been no receipts or payments incurred by the Company since the commencement of the liquidation, as such, the Liquidators have not included a Statement of Receipts and Payments for the period.

Digital asset recovery

The Liquidators have a responsibility to protect and preserve the Company's digital asset holdings for the benefit of those entitled to them.

Since being appointed the Liquidators have been in contact with the third-party exchange and have recovered the Company's reported digital assets. The Liquidators have obtained the majority of transactional information held by this party, which will form the basis for the investigations into the conduct of the company and its officers.

The Liquidators continue the process of reconciling users' balances and actual digital assets held by the Company to quantify the shortfall in holdings. As detailed in the initial Liquidators report, we anticipate the shortfall to be significant, with potentially less than 10% of customer liabilities covered by digital assets the Company claims to have held at our appointment.

Investigations

We continue to investigate the affairs of the Company and its Directors, including related parties, in the period prior to our appointment to determine if there are any further avenues of recovery available to the Company. Our duties as Liquidator require a transparent and robust investigation into the Company.

Given the potential shortfall detailed above the Liquidators have been in contact with the Financial Markets Authority and the Serious Fraud Office ("SFO"). The Liquidators are working with the SFO who have opened an investigation into the Company (SFO case number: 231333). The SFO encourages anyone who has relevant information to its investigation to contact them at dasset@sfo.govt.nz.

As a registered Financial Service provider (FSP1004807), the Company was required to provide access to a dispute services process. We have been informed by the Insurance and Financial Services Ombudsman ("IFSO") that the Company was removed from the IFSO scheme prior to liquidation as it had not responded to complaints raised by the IFSO. Subsequently due to the Liquidation the company was deregistered from this scheme.

If any insolvent transactions or breaches of legislation have occurred, we will take appropriate action where it has the potential to increase the recovery available to creditors and report where required to the relevant authorities.

Users and Application for legal directions

The Liquidators have attempted to contact all Users that are recorded by the Company as placing an order with the exchange within the last five years and are working towards confirming outstanding user balances.

In July the Liquidators applied to the court for legal directions on the terms and conditions of the exchange to consider the relationship with its Users. Specifically, whether the Crypto Assets are held in trust for Users, or whether they should be for the benefit of all Company creditors. We have sent the service orders to all users that were on the Company's database, known creditors, and posted on the Grant Thornton website (<https://www.granthornton.co.nz/Dasset/update-for-dasset-creditors-and-users-5-august-2024/>). No users or creditors have sought to vary or amend the orders within the specified 10-day working period.

In order to progress the liquidation in the most pragmatic and cost-efficient way, the Liquidators attempted to seek creditors' consent to the orders sought below. This consent has not been obtained and therefore to progress the Liquidation a hearing needs to be held to determine the future conduct of the liquidation.

The orders sought are at a high-level as follows:

- (1) Whether the Digital Assets are "property" that the Liquidators are required to distribute under the Companies Act 1993;
- (2) Whether the Digital Assets are Company property or held on trust by the Company for the Account Holders; and
- (3) Ancillary issues that flow from the Court's conclusions to the above two issues

It is the Liquidators' position that the digital assets are property and that there is an evidential and legal basis to conclude that the Digital Assets are subject to a trust in favour of Account Holders.

Counsel for the Liquidators has been instructed to advocate for this position with an amicus curiae appointed to assist the court as a contradictor to this position to ensure all relevant interests are represented in this litigation.

This application is to be filed with the court in the coming days with case management to follow in order to determine when a hearing is to be held.

With this application the Liquidators now seek an order permitting the conversion of Digital Assets to New Zealand dollars to cover the Liquidators costs. This will allow the current and future costs of the liquidation to be met and enable the Liquidators to continue to progress this liquidation.

Once orders have been made, the Liquidators will serve the orders and the Originating Application on all relevant stakeholders and if necessary, the Liquidators intend on returning to the Court for further procedural orders.

No assets can be distributed (to Users or creditors) until the Court has made the directions judgment.

With the legal matters above the Liquidators are looking to establish a User claims process that is agnostic and suitable to both potential outcomes of this direction's application. If you have not done so already, we request that Users you contact dasset@nz.gt.com stating they would like to be included on the Users mailing list. We hope to launch this claims process in the coming months.

Creditors

Secured Creditors

At the date of our appointment, there were no security interests registered against the Company.

Preferential Creditors

To date, we have received 4 claims from employees totalling \$47,304 and a preferential claim from the Inland Revenue Department for PAYE / GST for \$150,932.

At this stage, it is unknown if there will be any funds available to make payment to preferential creditors.

Unsecured Creditors

To date, we have received three unsecured creditors' claims totalling \$293,017.

The updated statement of affairs per Appendix B excludes digital assets and User liability values. This is due to the planned legal directions application on the terms and conditions of the exchange. This needs to be resolved to confirm whether Users are creditors or beneficiaries.

At this stage, it is unknown if there will be any funds available to make payment to unsecured creditors.

Digital asset holdings

As previously discussed, the Company held digital assets on a third-party offshore exchange. While most transactions were captured by the Company internal systems, all user balances were reliant on the real-time reporting of this third-party. While this exchange has been forthcoming with information, the CEO of the Company is understood to retain the key knowledge of how the Company operated and how User records were stored. Despite numerous attempts to contact him, the CEO has not responded to the Liquidators since day 3 of the liquidation and is believed to be overseas. We continue to explore all avenues to contact and communicate with the CEO including any legal powers granted to us as Liquidators of the Company.

To date after numerous interactions, compliance requests and information exchanges with the third-party exchange, we have recovered 94 cryptocurrencies and tokens. However, as previously reported there is a significant shortfall between the reported level of users' holdings and the amount of digital assets held by the Company. The value of digital assets recovered at the date of appointment are c. \$0.6m vs. user liabilities of c. \$6.9m.

Given this large deficit, we have investigated the Company's trading records, with a particular emphasis on blockchain withdrawals. Based on our preliminary findings the Liquidators have identified a number of unexplained withdrawal transactions. These transactions have been traced using blockchain analytics tools to several offshore and decentralised virtual asset service providers who mostly do not have a New Zealand presence. This includes several centralised and decentralised exchanges that allow derivative trading. These transactions which are valued at millions of dollars appear to be responsible for the large deficit in assets.

Remuneration Report

The Liquidators' have not been paid any remuneration during the Period, however, time costs and disbursements incurred by the Liquidators' total \$12,665 exclusive of GST. Total time cost and disbursements incurred to date are \$291,447 and \$38,727 of disbursements. None of these have been paid by the Liquidation to date.

A detailed breakdown of the Liquidators' outstanding fees and disbursements during the Period is enclosed at Appendix A, including a schedule of the qualifications and experience generally of staff at each level. A schedule of the work relating to the remuneration received during the Period is also summarised in Appendix A.

Remaining Matters

Investigations

We continue to investigate the affairs of the Company and its directors in the period prior to our appointment to determine if there are any further avenues of recovery available to the Company.

Estimated date of completion of the liquidation

It is not practicable to estimate the date of the completion of the liquidation at this stage.

Should you have any queries in relation to any matter raised in this report then please contact Tom Aspin on dasset@nz.gt.com.

Dated: 13 March 2025



Malcolm Russell Moore
Liquidator
Digital Asset Exchange Limited (in Liquidation)

Appendix A – Remuneration Report

Section 1: Initial Advice to Creditors

Explanation of Hourly Rates

The rates for our remuneration calculation are set out in the following table together with a general guide showing the qualifications and experience of staff engaged in the Liquidation and the role they take. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

Title	Description of title	Hourly rate (Exc. GST)
Partner	Accredited Insolvency Practitioner. Partner bringing specialist skills to Liquidations and Insolvency matters. Controlling all matters relating to the assignment.	\$650
Director	Qualified accountant and may be a Registered Insolvency Practitioner. Minimum 7/8+ years' experience. Highly advanced technical and commercial skills. Planning and control of all Liquidation and Insolvency tasks. Controlling substantial matters relating to the assignment and reporting to the appointee.	\$500
IT Specialist	Specialist IT Practitioner bringing specialist skills in Cybersecurity, IT forensics, AML and other IT related matters.	\$330 - \$450
Manager/Senior Manager	Typically Qualified. 5-8 years' experience. Well developed technical and commercial skills. Planning and control of Liquidation and Insolvency tasks with the assistance of the appointee.	\$380 - \$420
Senior Analyst	Typically Qualified. 3-4 years' experience. Required to conduct the fieldwork on small to medium Liquidations and Insolvency tasks and assist with fieldwork on larger Liquidations and Insolvency tasks.	\$250
Analyst	Typically undertaking Qualifications. Up to 3 years' experience. Required to conduct the fieldwork on smaller Liquidations and Insolvency tasks and assist with fieldwork on medium to large Liquidations and Insolvency tasks.	\$150 - \$160
Support Staff	Conducts all aspects relating to administering the accounts function and other functions as required.	\$170

Section 2: Calculation of Remuneration

Calculation of Remuneration – Time based charges

Charged on an hourly basis and per the hourly rates set out by time and cost charged by key category:

	Hourly Rate (\$ph)	Administration/ Statutory		Asset Realisation		Creditors/Users		Investigations		Legal Matters		Total	
		Hours	Cost (\$)	Hours	Cost (\$)	Hours	Cost (\$)	Hours	Cost (\$)	Hours	Cost (\$)	Hours	Cost (\$)
Partner	650	1.6	1,040	-	-	0.5	325	-	-	4.6	2,990	6.7	4,355
Director	500	1.5	775	1.5	750	-	-	-	-	3.0	1,575	6.0	3,100
Analyst	150 - 160	10.7	1,787	-	-	11.2	2,358	-	-	3.7	658	25.6	4,802
Support Staff	170	2.4	408	-	-	-	-	-	-	-	-	2.4	408
Total		16.2	4,010	1.5	750	11.7	2,683	-	-	11.3	5,223	40.7	12,665

Basis of Disbursement Claim

Disbursements	Total this period (\$ exc. GST)
Travel (flights, car rental, accommodation etc)	-
Amazon Web Services hosting	-
Misc. Incidentals and Advertising	174
Total Disbursements	174
Total Fees	12,665
Total Liquidators costs	12,839

Section 3: Description of Work

Summary of work performed in relation the Liquidators' remuneration for the Period:

Task Area	General Description	Includes
Assets	Debtors	<ul style="list-style-type: none"> Correspondence with debtors Reviewing and assessing debtors' ledgers Liaising with debt collectors and solicitors
	Crypto Assets	<ul style="list-style-type: none"> Review of company assets Reviewing notional values from Crypto markets of recovered assets Liaising with 3rd Party exchange around compliance requests and other incidentals Securing assets into cold storage and custodian control
	Other Assets	<ul style="list-style-type: none"> Tasks associated with realising other assets
Creditors/Users	Creditor Enquiries	<ul style="list-style-type: none"> Responding to user email queries regarding directions email sent Responding to users email queries regarding orders sought
	Creditor reports	<ul style="list-style-type: none"> Meeting with IRD, discussion with investor on Friday and information.
Administration/Statutory	Company office obligations	<ul style="list-style-type: none"> Filing with Companies Office
	Planning/Review	<ul style="list-style-type: none"> Meetings and engagement planning
	Report as to Affairs	<ul style="list-style-type: none"> Directors Questionnaire Completion deadlines and extensions Drafting press releases for stakeholders
Investigations	Tracing exercises	<ul style="list-style-type: none"> Using blockchain analytics tools on Cryptocurrency transactions Transaction analysis
	Company/Directors duties	<ul style="list-style-type: none"> Reviewing company solvency and financial reporting Investigating director's duties Review of IT environment and company mailboxes Inspection of service agreements Reviewing conduct of companies for breaches of Companies Act Interviews with Directors and Shareholders
	Regulator engagement	<ul style="list-style-type: none"> Attending to regulatory/statutory requests Meetings with regulators
Legal Matters	Identity verification scoping	<ul style="list-style-type: none"> Initial review of customer database, collected KYC and other identity requirements. Crypto specific obligations
	Legal memos	<ul style="list-style-type: none"> Preparing legal memos on Liquidation progress and findings Working with legal advisers to prepare evidence in support of directions application

Appendix B – Statement of Affairs

	Note	Third Report Estimated Outcome (NZ\$)	Fourth Report Estimated Outcome (NZ\$)
Assets			
Digital assets	1	Unknown	Unknown
Total Assets		Unknown	Unknown
Liabilities			
User liabilities	1	Unknown	Unknown
Preferential creditors			
Employees		47,304	47,304
IRD - GST and PAYE		150,933	150,933
Unsecured creditors			
Trade creditors		6,909	6,909
IRD – Unsecured portion		286,108	286,108
Total Liabilities		Unknown	Unknown
Estimated net assets/(liabilities)		Unknown	Unknown

Notes

1. The statement of affairs excludes digital assets and user liabilities values. This is due to the legal directions' application on the terms and conditions of the exchange. This needs to be resolved to confirm whether Users are considered creditors or beneficiaries.

Appendix C – Schedule of Known Creditors

Creditor Name	Address
Allen Cooper	Address withheld
Amazon Web Services	Level 5, 18 Viaduct Harbour Ave, Auckland 1010
Cryptocurrency NZ Meetups	Address unknown
Dext Software	Unit 1.2 Techspace Shoreditch, 25 Luke Street, London EC2A 4DS
Future Sight Consulting	Unit 214, 20 Mason Avenue, Otahuhu, Auckland 1062
Green ID	Level 2, 40 Taranaki Street, Te Aro, Wellington 6011
Illion Open Data Solutions	B6, L2 Central Park, 666 Great South Rd, Ellerslie, Auckland 1051
Illion Solutions	Address unknown
Inland Revenue Department	PO Box 39090, Wellington Mail Centre, Lower Hutt
Iwantmyname	ideegeo Group LTD, c/o iwantmyname, PO Box 116, Napier 4110
Julia Malley	Address withheld
Longzhen Shen	Address withheld
Louis Lising	Address withheld
Only Office	Address withheld
OriginID	18 Broadway, Newmarket, Auckland 1023
PHX Consulting	Address unknown
Sendgrid	101 Spear Street, Ste500, San Francisco, CA 94105
Sherry Tabanao	Address withheld
Slack Technologies	Address unknown
Stephen Macaskill	Address withheld
TECHEMY LIMITED	PO BOX 90497, Auckland, 1010
ZenDesk	7/395 Collins St, Melbourne, Victoria 3000, Australia

