

Liquidators' Initial Report on the State of Affairs of

Digital Asset Exchange Limited (in Liquidation)

Company Number: 6261371

NZBN: 9429046068682

21 August 2023



Contents

Introduction	2
Creditors	4
Proposals for conducting the liquidation	6
Appendix A - DIRRI	7
Appendix B – Statement of Affairs	9
Appendix C – Schedule of known creditors	100
Appendix D – Creditor Claim Form	111
Appendix E – Notice to creditors to prove debts or claims	133
Appendix F – Notice to Dispense with Meeting of Creditors	144

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”).

The Liquidators and Grant Thornton are independent of the Company. The Liquidators’ Declaration of Independence, Relevant Relationships and Indemnities (“DIRRI”) is enclosed to this report as Appendix A.

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 set out below our initial report on the state of the affairs of the Company as required by section 255(2)(c)(ii) of the Act. and section 6 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 6 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 on 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.

Details of the Company

Date of incorporation	24 April 2017
Date ceased trading	14 August 2023
Current registered address	PO Box 1961, Auckland
Previous registered address	155 Queen Street, Auckland Centre, Auckland 1010, New Zealand
Directors	Stephen Macaskill
Shareholders	Stephen MACASKILL; TECHEMY LIMITED; FLO2CASH GROUP LIMITED; Collins Production Corp; XRAY TRUST LIMITED; Fran STRAJNAR; Gareth DAVIES; Paul Caleb SALISBURY; Matthew GRIFFIN; Thomas WOOD
Date and time of liquidation	14 August 2023 at 2:00pm

Background

The Company was incorporated in April 2017 and operated as a New Zealand based digital asset exchange, trading under the name “Dasset”. The Company offered users the ability to buy and sell over 90 different digital assets with New Zealand Dollars. At the date of liquidation, it is estimated that the Company had over 5,000 registered users.

Management has stated that due to declining value in digital assets, the Company has not been able to trade profitably. In January 2023, the Company’s banking provider withdrew its services, and the Company was unable to find an alternative banking provider.

Following this, users’ accounts were suspended, and trading on the Company’s exchange halted. It was decided that it was in the best interest of all stakeholders that the Company be placed into liquidation.

Creditors

A schedule of known creditors is enclosed at Appendix C.

If any creditor or user wishes to make a claim, a Creditor Claim Form is enclosed at Appendix D. For ease of completion, we hope to provide any users that wish to make a claim with a tailored User Claim Form, this will be provided at a later date.

Secured creditors

A search of the Personal Property Security Register disclosed no security interests registered against the Company at the date of liquidation.

Preferential creditors

Based on the Company records, employee preferential entitlements outstanding at the date of liquidation are estimated at \$16.7k, representing outstanding wages and holiday pay owing.

Company records also indicate outstanding amounts owed to the Inland Revenue Department (“IRD”) for GST and PAYE, totalling \$203.7k. We will write to the IRD to confirm if they have a claim against the Company and quantify any amounts owing.

We are unaware of any other Preferential claims against the Company. At this stage, it is unknown if there will be any funds available to make payment to preferential creditors.

Unsecured creditors and users

The Company’s records indicate there are unknown number of unsecured creditors totalling \$50.3k and an unknown number of users with outstanding balances totalling \$6.9m. At this stage we have not been made aware of any known current or pending proceedings to which the Company is a party.

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

Digital asset holdings

We understand the Company held digital assets on 3rd party exchanges and kept records of user’s transactions and balances. We are currently working to get access to detailed records to perform a reconciliation of holdings for each user.

Based on records we have received to date it appears that there is a significant shortfall between the reported level of users’ holdings and the amount of digital assets held by the Company, with digital assets of c. \$0.6m vs. user liabilities of c. \$6.9m.

At this stage it is unknown if there will be any funds available to meet users’ claims.

Notice to creditors to prove debts or claims

Please refer to Appendix E for the formal notice setting down the date for all creditors to prove their debts or claims.

Statement of Affairs

A statement of affairs of the Company, as at the date of liquidation, prepared by the Liquidators in accordance with section 255 of the Act is enclosed to this report, at Appendix B.

In preparing the statement of affairs we have relied on information provided by the Director.

We have not carried out an audit of the information that has been provided to us, nor have we subjected the information provided to detailed verification procedures. While we believe the statement, based on the information provided to us, reasonably reflects the position of the Company, we cannot be held responsible for inaccuracies in the report arising from deficiencies in the information or explanations given to us.

Meeting of creditors

The Liquidators do not propose to call a meeting of creditors at this time. The Liquidators consider that, based on early assessments of the amount that may become available to creditors, calling a meeting of creditors would create an unnecessary and disproportionate cost to the liquidation, and consequent reduction in the dividends to creditors.

Please refer to Appendix F for the formal notice of dispensation of the meeting of creditors

Briefing call with users and creditors

The Liquidators plan to hold a briefing call with users and creditors to update them on the progress of the liquidation and to answer questions raised. As mentioned, we are currently working to extract detailed user records, once this process is completed, we intended to distribute an invitation to this call to users and creditors and will ask for questions to be submitted.

Proposals for conducting the liquidation

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 managed to secure a significant proportion of the reported digital assets. The Liquidators have also contacted the 3rd party exchange to attempt recovery of remaining digital assets and to obtain relevant information in order to carry out their investigations.

A reconciliation between users' balances and actual digital assets held by the Company will also need to be performed to quantify the anticipated shortfall in holdings. As discussed above the shortfall based on the reported balance sheet position and information received to date is significant, with potentially less than 10% of customer liabilities covered by digital assets the Company claims to have held at our appointment.

Investigations

We will 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.

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.

We are in the process of de-registering the Company from the Financial service providers register.

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.

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: 21 August 2023



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

Appendix A - DIRRI

Declaration of Independence, Relevant Relationships and indemnities

Digital Asset Exchange Limited (in Liquidation) (“the Company”)

Practitioner/s appointed to an insolvent entity are required to make declarations as to:

- A Their independence generally
- B Relationships, including
 - i The circumstances of the appointment
 - ii Any relationships with the Company and others within the previous 24 months
 - iii Any prior professional services for the Company within the previous 24 months
 - iv That there are no other relationships to declare and
- C any indemnities given, or up-front payments made, to the Practitioner.

This declaration is made in respect of ourselves, our partners, Grant Thornton New Zealand Limited (the “Firm”) and any of the Firms associated entities.

A Independence

Malcolm Russell Moore and David Ian Ruscoe of Grant Thornton New Zealand Limited have undertaken a proper assessment of the risks to the Firm’s independence prior to accepting the appointment as Liquidators of the Company in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to the Firm’s independence. Malcolm Russell Moore and David Ian Ruscoe are not aware of any reasons that would prevent the Firm from accepting this appointment.

B Declaration of Relationships

Circumstances of appointment

This appointment was referred to the Firm by MinterEllisonRuddWatts. We believe that this referral does not result in a conflict of interest or duty because:

- The introduction to the Company was unconditional;
- We have not undertaken any prior engagement with the Company or its directors; and
- Introductions or referrals from advisors to specialist advisors is common business practice.

Prior to appointment as Liquidators, we had a call with the Director on 28 July 2023, following by a further call with the Director and a shareholder on 31 July 2023 to discuss insolvency options.

In our opinion, our independence is not affected by the circumstances leading to our appointment as Liquidators. We did not receive any fees and we have provided no other information or advice to the Company, its directors or advisors prior to our appointment beyond that outlined in this DIRRI.

Relevant Relationships (excluding Professional Services to the Insolvent)

Neither of the Liquidator's, nor the Firm, have, or have had within the preceding 24 months, any relationships with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has security over the whole or substantially whole of the Company's property.

Prior Professional services to the Insolvent

Neither of the Liquidator's, nor the Firm, have provided any professional services to the Company in the previous 24 months.

No other relevant relationships to disclose

There are no other known relevant relationships, including personal, business and professional relationships, from the previous 24 months with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has security over the whole or substantially whole of the Company's property that should be disclosed.

C Indemnities and up-front payments

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute and we have not received any up-front payments in respect of my remuneration or disbursements.

Dated: 21 August 2023



MALCOLM RUSSELL MOORE
LIQUIDATOR



DAVID IAN RUSCOE
LIQUIDATOR

Note:

- 1 If circumstances change, or new information is identified, Malcolm Russell Moore and David Ian Ruscoe are required under the Companies Act 1993 and the RITANZ Code of Professional Conduct to update this Declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the insolvent's creditors.
- 2 Any relationships, indemnities or up-front payments disclosed in the DIRRI must not be such that the Practitioner is no longer independent. The purpose of components B and C of the DIRRI is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.

Appendix B – Statement of Affairs

	Note	Per Company Records (NZ\$)	Estimated to realise (NZ\$)
Assets			
Digital assets	1, 2	656,777	Unknown
Accounts receivable		88,743	Unknown
Fixed assets		1,457	Unknown
Total Assets		746,977	Unknown
Liabilities			
Secured creditors			
GSA Holders		Unknown	Unknown
Trade creditors with security		Unknown	Unknown
Preferential creditors			
Employees		16,723	Unknown
IRD - GST and PAYE		203,702	Unknown
Unsecured creditors			
Customer liabilities	1, 2	6,938,615	Unknown
Trade creditors		50,304	Unknown
IRD – Small business COVID loan		21,578	Unknown
Total Liabilities		7,230,922	Unknown
Estimated net assets/(liabilities)		(6,483,945)	Unknown

Notes

- Assets are stated at book value as at date of appointment. Until the reconciliation of what digital assets the Company holds occurs, we cannot confirm the NZD value of any digital assets held.
- Given the volatility of digital assets and the fact that a 3rd party controls some of these digital assets it is unknown what the realisation value in NZD will be.

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
Pantelis Roussakis	Address unknown
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

Appendix D – Creditor Claim Form

DIGITAL ASSET EXCHANGE LIMITED (IN LIQUIDATION)

Name and postal address of creditor in full: Telephone Number: Email address: My Reference (if applicable) is:	<p>*Any personal information collected is for the purpose of administering the liquidation in accordance with the Companies Act 1993.</p> <p>The information will be used and retained by the Liquidator and will be released to other parties only with your authorisation or in compliance with the Privacy Act 1993.</p> <p>Under Section 304(1) any claim by an unsecured creditor must be in the prescribed form and must –</p> <ul style="list-style-type: none"> • Contain full particulars of the claim; and • Identify any documents that evidence or substantiate the claim. <p>You may have access to and request correction of any personal information.</p> <p>* (Not applicable, if creditor is not an individual within the meaning of the Privacy Act 1993)</p>
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I _____ [If claim is made on behalf of creditor, specify relationship to creditor and authority] claim that the company was at the date it was put into liquidation indebted to the above named creditor for the sum of: \$
[Amount in words and figures]:

Either: I hold no security for the amount claimed; or
 I am surrendering my security and I am claiming as an unsecured creditor
[Omit whichever does not apply]

Full particulars of the claim are set out, and any supporting documents that substantiate the claim, are identified on the reverse of this form.
N.B. Copies of the documentation supporting this claim should be attached to this form and forwarded to the Liquidator in terms of section 304(2) of the Companies Act 1993.

Signed: _____	Date: / /
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WARNING
 It is an offence under Section 304(6) of the Companies Act 1993 to –

- **Make or authorise the making of, a claim that is false or misleading in a material particular knowing it to be false or misleading; or**
- **Omit, or authorise the omission from a claim of any matter knowing that the omission makes the claim false or misleading in a material particular.**

Liquidator (Date Stamp)	Reserved for Office Use:		
	<u>Claim rejected for payment:</u>	Signed: _____	Date: / /
	<u>Claim admitted for payment:</u>		
	Preferential Claim for: \$ _____	Ordinary Claim for: \$ _____	Deferred Claim for: \$ _____
	Signed Liquidator: _____		Dated: / /
	<p>Note: If the decision to admit or reject a claim is amended the Liquidation Regulations 1994 requires that it be recorded in writing</p>		

Particulars of the Claim

Date	Details of Claim and Identification of Documents that Evidence or Substantiate the Claim	Amount \$
	<p>If applicable, less Retention of Title for Goods supplied by creditor to the company <i>[Describe goods]</i></p> <p>If applicable, less debts owed by creditor to the company <i>[Describe debts]</i></p>	

If applicable, please record here your GST Registration number:

and total GST included in your claim: \$

Appendix E – Notice to creditors to prove debts or claims

Digital Asset Exchange Limited (in Liquidation)

Company Number: 6261371

Notice is hereby given that we have set 12 September 2023 as the day on or before which any creditors of the Company are to prove their debts or claims and to establish any priority their claims may have under Section 312 of the Act.

Creditors not having made a claim by this date may be excluded from the benefit of any distribution made before their claims are made, or, from objecting to any distribution.

Dated: 21 August 2023



MALCOLM RUSSELL MOORE
LIQUIDATOR



DAVID IAN RUSCOE
LIQUIDATOR

Appendix F – Notice to Dispense with Meeting of Creditors

Digital Asset Exchange Limited (in Liquidation)

Company Number: 6261371

Notice is hereby given that pursuant to section 245 of the Act we will not convene a meeting of creditors. A meeting will not be called unless within 10 working days after receiving this notice, a creditor gives notice in writing to the Liquidators requiring a meeting to be called.

In accordance with section 314 of the Act a creditor or a shareholder may request the Liquidators to call a meeting of the creditors or of the shareholders at any time during the course of the liquidation:

- a To vote on a proposal that a liquidation committee be appointed to act with the Liquidators; and
- b If it is decided to have a liquidation committee, to choose the members of the liquidation committee.

Pursuant to s243(1)(a) of the Act the Liquidators can be replaced at a meeting of the creditors.

Any request to convene a meeting must be in writing.

The Liquidators' may decline a request by a creditor or a shareholder to call a meeting on the grounds that:

- a The request is frivolous or vexatious;
- b The request was not made in good faith;
- c The costs of calling a meeting could be out of proportion to the value of the Companies' assets.

The decision to decline a request may be reviewed by the Court on the application of any creditor, or shareholder.

Dated: 21 August 2023



MALCOLM RUSSELL MOORE
LIQUIDATOR



DAVID IAN RUSCOE
LIQUIDATOR

