



McDonald
Vague

business recovery partners

**Bitcoinica Consultancy Limited
(In Liquidation)
(formerly known as Core Credit Limited
until 30 May 2012)**

**Liquidators' Twelfth Report
(for the period from 10 January 2018
to 9 July 2018)**

McDonald Vague Limited

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1 INTRODUCTION AND APPOINTMENT

Iain McLennan and Peri Micaela Finnigan, Insolvency Practitioners of Auckland, were appointed jointly and severally as liquidators of Bitcoinica Consultancy Limited on 10 January 2013.

Pursuant to Section 255(2)(d) of the Companies Act 1993 ("the Act"), the liquidators herewith report on the progress of the liquidation. This twelfth report should be read in conjunction with the liquidators' previous reports. This report is being sent to all shareholders and all creditors who have filed a claim in the liquidation.

A Statement of Realisations and Distributions is **attached**.

2 RESTRICTIONS

This report has been prepared in accordance with section 255(2)(d) of the Act. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever to any party as a result of the circulation, publication, reproduction or use of this report.

We reserve the right (but are under no obligation) to review and, if we consider necessary, revise this report in respect of any information existing at the date of this report which becomes known to us after that date.

3 CONDUCT OF THE LIQUIDATION DURING THE PRECEDING SIX MONTHS

Asset Realisations

Bitcoinica Consultancy Limited (In Liquidation) ("BCL") is the General Partner of the Limited Partnership, Bitcoinica LP (In Liquidation) ("the Limited Partnership").

The liquidators of BCL continue to assist the liquidators of the Limited Partnership to recover the assets held on the trading platform (MTGOX Co, Ltd) for the benefit of investors.

The liquidators understand that the Japan based trading platform has filed for bankruptcy and that its CEO has been arrested. The LP liquidators report that the LP's claims in the Japanese based bankruptcy of the trading platform have been accepted for approximately USD 31,742,910 (JPY 3,289,835,190)

The LP liquidators note that they do not know yet if or when assets will be available for distribution and they are seeking legal advice on various matters. Their full report is attached.

4 INVESTIGATIONS

When possible, the liquidators continue to assist the liquidators of the Limited Partnership in their efforts to access and realise the bitcoins.

5 CREDITORS' CLAIMS

5.1 Secured Creditors

BCL did not have any secured creditors according to the Personal Property Securities Register.

5.2 Preferential Creditors

BCL did not have any employees, and was not registered with the IRD at the time of liquidation therefore, there are no preferential creditors.

5.3 Unsecured Creditors

As at the date of preparing this report no unsecured creditors' have lodged claims. The claims in the Limited Partnership however exceed \$1.5 million.

6 FUNDS / LIKELY OUTCOME

Bitcoins continue to trade at positive levels, however, it is not possible at this stage to advise the likely outcome, and it is possible that litigation may be required to gain access to the funds and bitcoins held by the bankrupt trading platform.

7 MATTERS DELAYING THE COMPLETION OF THE LIQUIDATION

The following matters are outstanding:

- Assist the Limited Partnership liquidation/liquidators;
- Potential action to recover funds and bitcoins; and
- Any distribution issues.

8 ESTIMATED DATE OF COMPLETION

Based on the above the liquidators cannot estimate when they will be in a position to retire as liquidators. This will depend upon the liquidation of the Limited Partnership.

9 CONTACT DETAILS

Enquiries should be directed to Keaton Pronk on DDI (09) 969 1518 or by email to kpronk@mvp.co.nz.

The Liquidators can be contacted at:

McDonald Vague Limited
Level 10, 52 Swanson Street
Auckland 1010

P O Box 6092
Wellesley Street
Auckland 1141



IAIN McLENNAN
LIQUIDATOR

DATED this 9TH day of July 2018

Realisations and Distributions

Bitcoinica Consultancy Limited (In Liquidation) 10 January 2013 to 9 July 2018

Realisations	Cash Received \$
Funds from liquidation of the Limited Partnership	4,340
Total Realisations	\$4,340
Payments	
Liquidators Fees	
Liquidators Fees	4,340
Total Liquidators Fees	\$4,340
Total Payments	\$4,340
BALANCE HELD	\$Nil

Note: the above figures are GST exclusive

LIMITED PARTNERSHIPS ACT 2008

LIQUDATORS' TWELFTH REPORT TO CREDITORS
OF
BITCOINICA LIMITED PARTNERSHIP (IN LIQUIDATION)
Limited Partnership Number: 2558460



10064516476

Reporting Period: 2 November 2017 – 1 May 2018

*Pursuant to Section 255 of the Companies Act 1993
(In accordance with Section 92 of the Limited Partnerships Act 2008)*

1. INTRODUCTION

On 1 November 2012 Anthony John McCullagh, Chartered Accountant and Stephen Mark Lawrence, RITANZ Accredited Insolvency Practitioner of PKF Corporate Recovery & Insolvency (Auckland) Limited, were jointly and severally appointed as liquidators of the Bitcoinica Limited Partnership ('Bitcoinica') by an order of the High Court in Auckland, New Zealand, pursuant to section 89(1) of the Limited Partnerships Act 2008 ('LPA08').

On 22 May 2017 Anthony McCullagh resigned from the office of liquidator of Bitcoinica. Christopher Carey McCullagh, Chartered Accountant and RITANZ Accredited Insolvency Practitioner of PKF Corporate Recovery & Insolvency (Auckland) Limited was appointed as joint & several liquidator in his place, in accordance with section 283(2) of the Companies Act 1993 ('CA93').

Any creditor who wishes to challenge the Liquidators' fees as set out in this report may do so by an application with leave of the High Court of New Zealand under section 284(1) CA93 (and by virtue of s92 LPA08). Any such application filed must be served on the Liquidators.

2. RESTRICTIONS

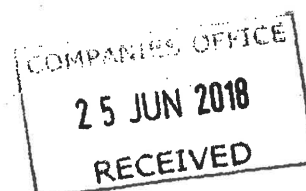
This report has been prepared pursuant to s255 CA93 and in accordance with s92 LPA08 based on information contained in the records and information supplied to us by Bitcoinica's limited partners, advisors, creditors and other parties. We have not carried out an audit of the records. Accordingly, we retain the right to amend particulars if we consider it necessary in light of information which becomes available to us after the date of this report. The Liquidators shall not be responsible for any losses resulting from the reliance of any person on information contained in, or derived or omitted from this report.

3. ACTION UNDERTAKEN SINCE OUR LAST REPORT

As previously reported, Bitcoinica's cash and bitcoin (BTC) assets are held in accounts on the MtGox exchange. On 24 April 2014, MTGOX Co, Ltd ('MtGox') was put into bankruptcy in Japan and Bitcoinica's three claims in the MtGox bankruptcy have been accepted. The MtGox Trustee has valued the claims at JPY 3,289,835,190 (or USD 31,742,910) as at 24 April 2014.

It is unknown at this stage what assets will be available for distribution to MtGox creditors (including Bitcoinica), when a distribution will be made and in what form the distribution will be made (i.e. fiat currency and/or BTC). We must now await further information regarding the distribution from the MtGox Trustee. Once these issues have been clarified, the Liquidators will be in a position to consider the appropriate method of distribution to Bitcoinica's creditors.

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We note that an application was filed in the Tokyo District Court in November 2017 for MtGox to be taken out of bankruptcy and into a civil rehabilitation ('CR') process. We understand that the Tokyo District Court is still considering the application, in light of a report provided to the Court by its appointed examiner in February 2018.

We received further funding from creditors which allowed us to instruct Japanese lawyers to attend the MtGox creditors meeting on 7 March 2018 on our behalf. Prior to and following the meeting we have been communicating with certain MtGox creditors and their legal representatives regarding the CR application, in order to preserve Bitcoinica's rights and maximise recovery for its creditors. This dialogue is ongoing.

The Liquidators had instructed lawyers to provide an opinion on, amongst other things, the legal nature of bitcoins under New Zealand law, the valuation of creditor claims and creditor entitlements in the liquidation. However, due to recent developments in the MtGox bankruptcy and the CR application, that opinion has not yet been completed. The outcome of the CR application is likely to impact on the legal advice. Once the CR application has been determined, and the legal opinion has been received, the Liquidators intend to seek directions from the High Court of New Zealand, primarily in relation to the valuation of creditor claims and the proposed method of distribution of Bitcoinica's assets.

The Liquidators have continued to receive enquiries from parties expressing interest in purchasing Bitcoinica's claims in the MtGox bankruptcy. The sale of Bitcoinica's claims would allow the Liquidators to make a distribution to creditors. However, we are unable to consider any such offers until we have received the abovementioned legal opinion, and the subsequent directions of the High Court. Due to the change in circumstances in the MtGox bankruptcy we cannot estimate how long this process will take.

4. SECURED CREDITORS

As previously reported, Ator Limited (a company associated with the majority limited partner Wendon Group Incorporated ('Wendon')) holds a General Security Agreement ('GSA') over all present and after acquired personal property of Bitcoinica. Ator Limited and Wendon have both agreed to subordinate any claims they may have in the liquidation after the claims from Bitcoinica's exchange-user creditors.

5. PREFERENTIAL CREDITORS

Wendon, as the applicant creditor in the liquidation proceedings, was awarded costs of \$6,701.00 by the High Court. As noted above, Wendon has advised that it wishes to subordinate its claim after the claims of Bitcoinica's exchange-user creditors.

6. UNSECURED CREDITORS

The Liquidators have received unsecured claims from 204 creditors, broken down as follows:

Bitcoins	-	BTC104,714.45
Cash	-	US\$323,240.64
Leveraged Trading Positions (Net balance)	-	US\$276,134.60

These claims have not yet been accepted or rejected by the Liquidators.

Any distribution by the Liquidators to Bitcoinica's creditors is contingent on the receipt of a distribution from the MtGox bankruptcy. At this stage, we do not know when a distribution will be made by the MtGox Trustee, or how much Bitcoinica will receive, and in what form the distribution will be made (i.e. fiat currency and/or BTC).



7. PROPOSALS FOR COMPLETING THE LIQUIDATION

The Liquidators intend to commence the process of admitting or rejecting creditor claims in the liquidation within the next 3 months, in accordance with section 303 CA93.

We are unable to progress the liquidation until a distribution is made to Bitcoinica from the MtGox bankruptcy. Once the method and quantum of distribution from MtGox is known, then the Liquidators will be able to determine the method of distribution to Bitcoinica's creditors.

8. STATEMENT OF REALISATIONS AND DISTRIBUTIONS

A Statement of the Liquidators' Realisations and Distributions for the period 2 November 2017 to 1 May 2018 is attached.

9. ESTIMATED DATE OF COMPLETION

Due to the issues regarding the recovery of Bitcoinica's assets from the MtGox bankruptcy, we are unable to give an estimated date of completion of the liquidation.

10. OTHER INFORMATION

Please direct all enquiries regarding this liquidation to bitcoinica@pkfc.co.nz. For economic reasons we are unable to respond individually to the large volume of correspondence that we continue to receive from Bitcoinica's customers. As we have previously advised, we will report to creditors once any significant progress has been made in the liquidation.

SIGNED

CHRISTOPHER C McCULLAGH
JOINT & SEVERAL LIQUIDATOR

1 June 2018
DATED



**BITCOINICA LIMITED PARTNERSHIP
(IN LIQUIDATION)**

**STATEMENT OF REALISATIONS AND DISTRIBUTIONS
FOR THE PERIOD 2 NOVEMBER 2017 - 1 MAY 2018
Pursuant to Section 255 of the Companies Act 1993
(In accordance with Section 92 of the Limited Partnerships Act 2008)**

	\$
Opening Balance	<u>\$ 1</u>
Particulars of Realisations	
Advance from Funding Creditors	5,000
	<u>\$ 5,000</u>
Particulars of Distributions	
Legal Fees	4,085
	<u>\$ 4,085</u>
Closing Balance	<u>\$ 916</u>

NB: There are insufficient funds available to meet the ongoing costs of the liquidation. The Liquidators have continued to accrue their unpaid fees, which will be paid if funds are recovered from the MtGox bankruptcy.

At the time of this report, the Liquidators' accrued fees and expenses total \$179,246 including legal fees of approximately \$55,000. This balance is exclusive of GST.