

## First Meeting of Creditors

**Digital Surge Pty Ltd (Administrators Appointed)**  
**(‘the Company’ or ‘Digital Surge’)**

5 January 2023

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The meeting is being held via an online Zoom platform to allow as many creditors as possible to attend.

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- The meeting is being recorded to assist with preparing minutes.
- The recording will not be made publicly available.
- Today's presentation will be appended to the minutes.
- All attendees will be muted throughout the duration of the meetings.
- There will be an opportunity to ask questions at the end of the meeting, via the Zoom Q&A function.
- All documents discussed today can be found at [www.kordamentha.com/creditors](http://www.kordamentha.com/creditors) and <https://publishednotices.asic.gov.au/>

If you have any technical difficulties, please contact [digitalsurge@kordamentha.com](mailto:digitalsurge@kordamentha.com) for assistance.  
We will be monitoring this email inbox closely during the meeting.



### Opening of meeting

- Meeting called pursuant to section 436E of the Corporations Act to be declared open.

### Chairperson

- Chairperson to be declared, in accordance with section 75-50(2) of the Insolvency Practice Rules.

### Time and place convenient

- Chairperson to table copy of advertisement of Notice of Appointment and Notice of meeting published on ASIC's Published Notices Website on 20 December 2022.
- Chairperson to declare that, pursuant to section 75-30 of the Insolvency Practice Rules, the meeting has been convened at a time and place convenient to the majority of creditors of the Companies.
- Chairperson to state that the time and place of the meetings be the location of the Administrators' office, being KordaMentha, Level 5, Chifley Tower, 2 Chifley Square, Sydney NSW 2000.

### Attendance/admission of proxies

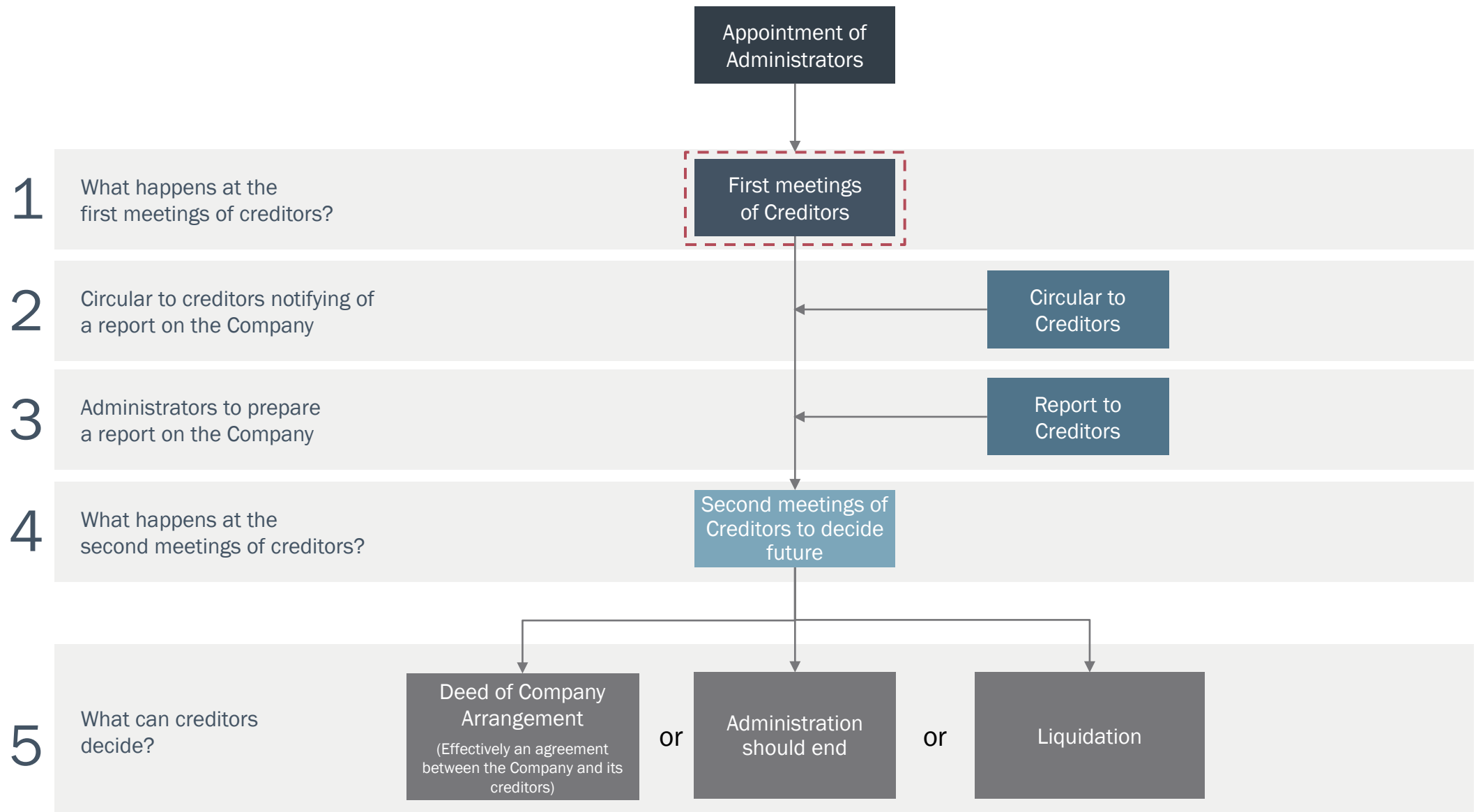
- Not practical to conduct a roll call. All Proxy Forms and Proof of Debt forms have been considered.
- We have recorded an attendance register of all proxies received. We will attach this to the meeting minutes, which will be lodged with ASIC within 10 business days after the end of the meeting.
- Every creditor who seeks to vote should have lodged their proof of debt and any applicable proxies or powers of attorney prior to the meeting.
- Proofs of debt and appointment of proxies accepted by the Administrators for voting purposes should not be taken as an acceptance or a rejection of a claim. The Administrators reserve the right to re-examine any documents should a voting dispute arise.
- In the event a difference arises between the amount recorded by the Company and the amount claimed by creditors, the Chairperson will treat the claim as disputed to enable the relevant creditors to reserve all of their rights with respect to those claims.

### Entitlement to vote and voting requirements

- In accordance with section 75-85(3) of the Rules, an Administrator has the right to admit creditor claims wholly or in part based on the particulars available.
- In accordance with section 75-85(4) of the Rules, a creditor cannot vote in respect of a debt which was unliquidated, contingent or whose value had not been ascertained unless a just estimate of its value has been made.
- I have the power to admit or reject a proof of debt for the purposes of voting in line with section 75-100 of the Rules and I note that proofs of debt had been reviewed and admitted or rejected for voting purposes prior to the meetings.
- In relation to customer claims, the Administrators have not adjudicated all proof of debt claims received to date.
- For the purpose of this meeting, I will admit each proof of debt received from customers for voting purposes to the value outstanding in accordance with the Company's books and records as at appointment date. This approach is taken with the intention of achieving a fair and equitable meeting today for all potential creditors of the Companies. It does not compromise your claim in the Administration. All proofs of debt will be adjudicated by the Administrators in due course.
- Employee and trade creditors have been admitted to the substantiated value of their claims.



## Administration process



Administrators' address



## Digital Surge Pty Ltd (Administrators Appointed)

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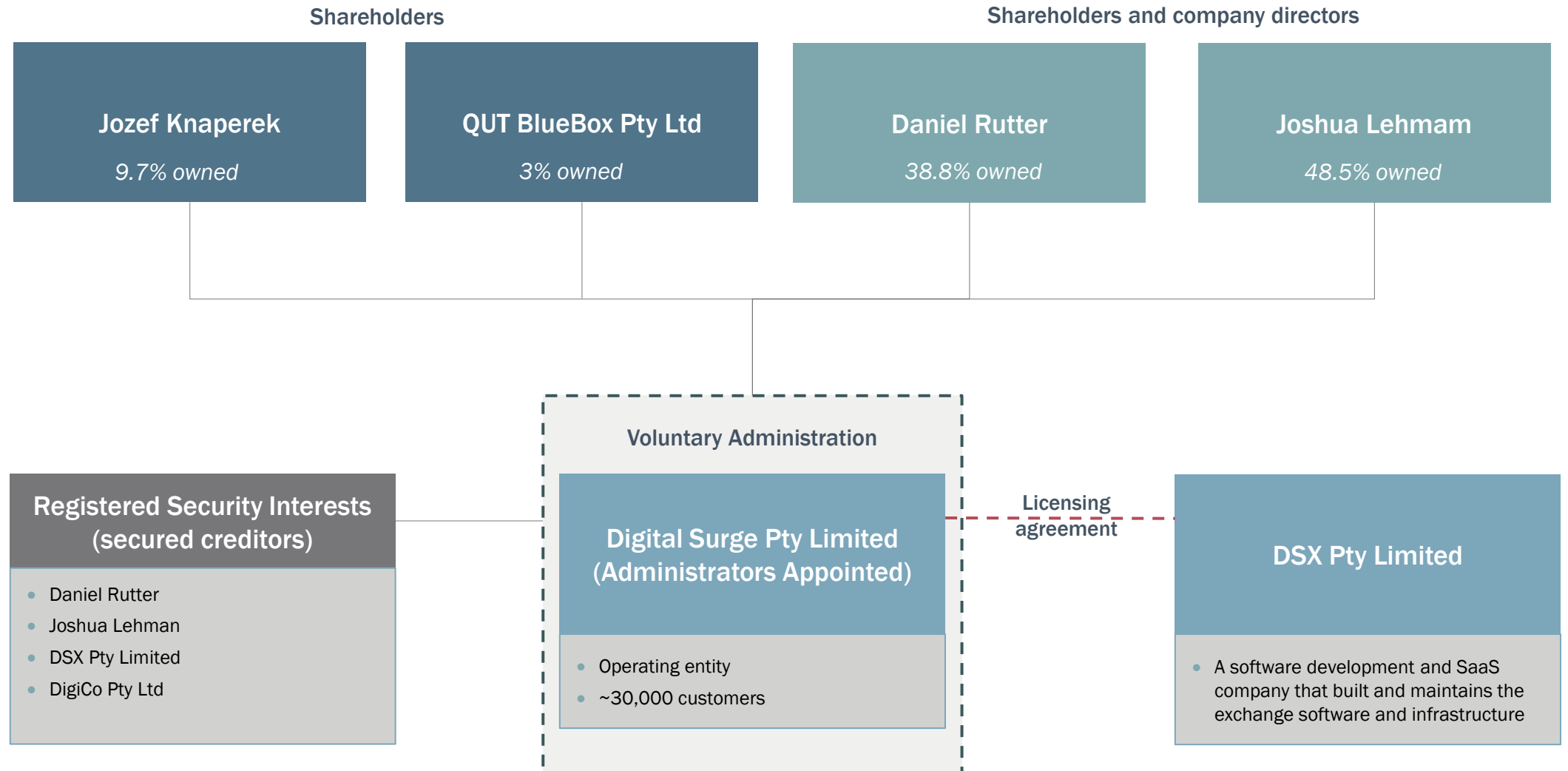
- John Mouawad, Scott Langdon and David Johnstone were appointed Administrators to Digital Surge Pty Ltd on 8 December 2022.
- Digital Surge was established in 2017 and currently services ~30,000 customers and offers the buying and selling of over 300 cryptocurrencies.
- The Company was registered with AUSTRAC.
- Customers and cryptocurrency trading is managed via the Digital Surge platform which is licensed from DSX Pty Ltd, a related party of the directors.
- Digital Surge Pty Ltd has 13 full time employees based in Brisbane.
- It is owned by four shareholders including the two Directors who have majority shareholdings.
- Digital Surge has ~11 total trade creditors with minimal amounts outstanding.



# Organisational Structure

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## Digital Surge Pty Ltd (Administrators Appointed)

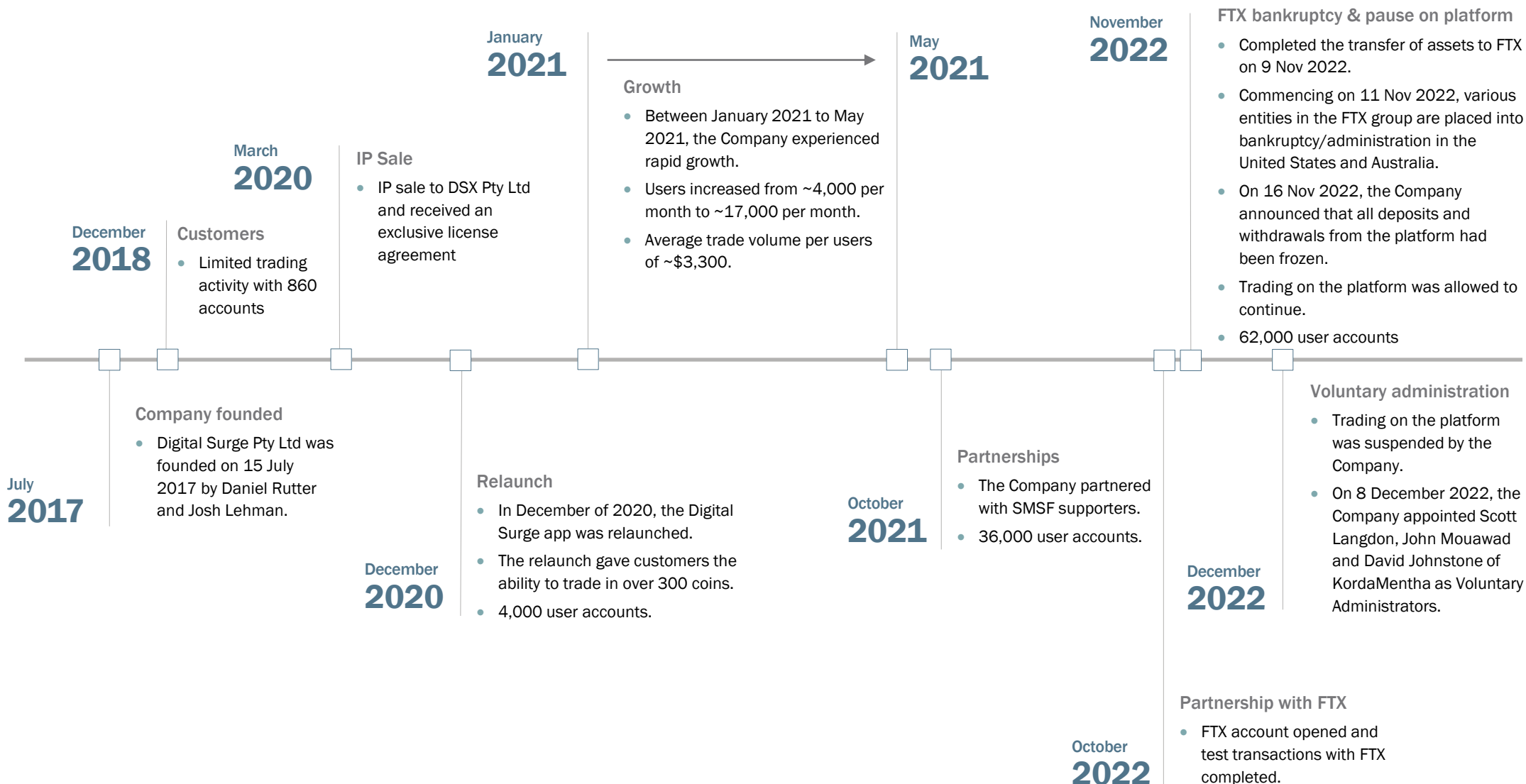


• Based on ASIC records

# Pre-administration timeline

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## Digital Surge Pty Ltd (Administrators Appointed)





### Statutory obligations

- Attended to statutory lodgements and notifications.
- Provided initial report to creditors on 13 December 2022.
- Distributed notices to customers (~60,000) and non-customer creditors (16).
- Issued notifications to the ATO and state tax authorities.
- Reviewed Proofs of Debts and Proxy Forms for today's meetings.
- Prepared for today's meetings.
- Commenced preparation of report for the Second Meeting.



### Stakeholder engagement

- Established dedicated email addresses.
- Responded to 700+ queries from creditors via email.
- Issued three FAQs to creditors and customers.
- Received and responded to various media enquiries.
- Ongoing engagement with employees and non-customer creditors.



### Data

- Forensically acquired all available data relating to the Company.
- Received copy of assets and customers data on appointment.
- Received administrator access to accounting software used by the Company.

## Digital Surge Pty Ltd (Administrators Appointed)



### Securing assets

- Froze all pre-appointment fiat bank accounts and swept cash to administration account.
- Administrators control ~\$4.5m cash.
- Secured digital assets by transferring most digital assets to a secure and insured custodian.
- Some assets remain on Binance (with Administrators controlling passwords).
- No digital assets have been converted to cash.
- Issued a Proof of Claim to US Bankruptcy Trustee.



### Leased property

- Notified landlord of our appointment.
- Continually assessed the options for office lease going forward.



### Books and Records

- Requested books and records from Company Directors and advisors (e.g. lawyers and accountants).
- Received Report on Company Activities and Property from Directors.
- Undertook a forensic image of the company's digital books and records.

# Administrators' actions since appointment

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## Digital Surge Pty Ltd (Administrators Appointed)



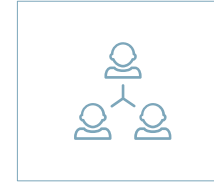
### Trading

- Made the decision to continue operations of the business to aid in restructuring options.
- Notified suppliers of appointment and assessed go-forward supplier arrangements and contacted parties accordingly.
- Continue employment contracts in place with all employees.
- Implemented controls relating to trading costs.
- Regular meetings with all employees.



### Legal

- Reviewed and responded to correspondence in relation to various legal matters.
- Engaged with legal advisors regarding legal matters including obtaining Orders relating to the First Meetings of Creditors.



### Customer / Company relationship

- Prior to trading on the Company's exchange, every customer agrees to the terms and conditions.
- Based on the Company's terms and conditions alone, our current view is customers are unsecured creditors of the Company.

## Digital Surge Pty Ltd (Administrators Appointed)

The following steps have been undertaken by the Administrators in relation to the Expression of Interest ('EOI') campaign, with a view to achieving the best possible outcome for all creditors of the Companies.

01

The Administrators sought EOI for the business and its assets on 13 December 2022.

02

12 parties responded and 9 were provided with information to issue a Non-Binding Indicative Offer ('NBIO') by 30 December 2022.

03

The Administrators received NBIOs and have provided parties with further information. Final offers are due Monday, 9 January 2023.

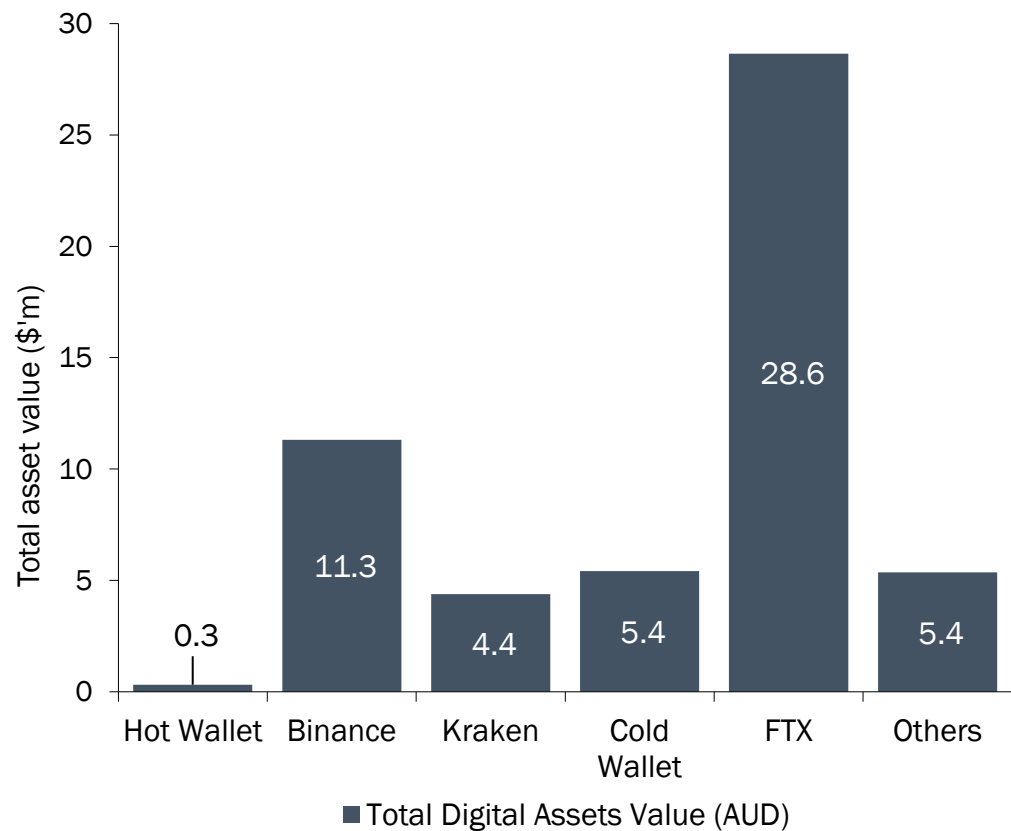
The Administrators will send a report to creditors, summarising our recommended transaction, by Tuesday, 17 January 2023. Creditors will vote on the future of the Company at the second meeting of creditors, to be held on Tuesday, 24 January 2023 unless additional time is sought to deal with the restructuring options.

# Business status at appointment

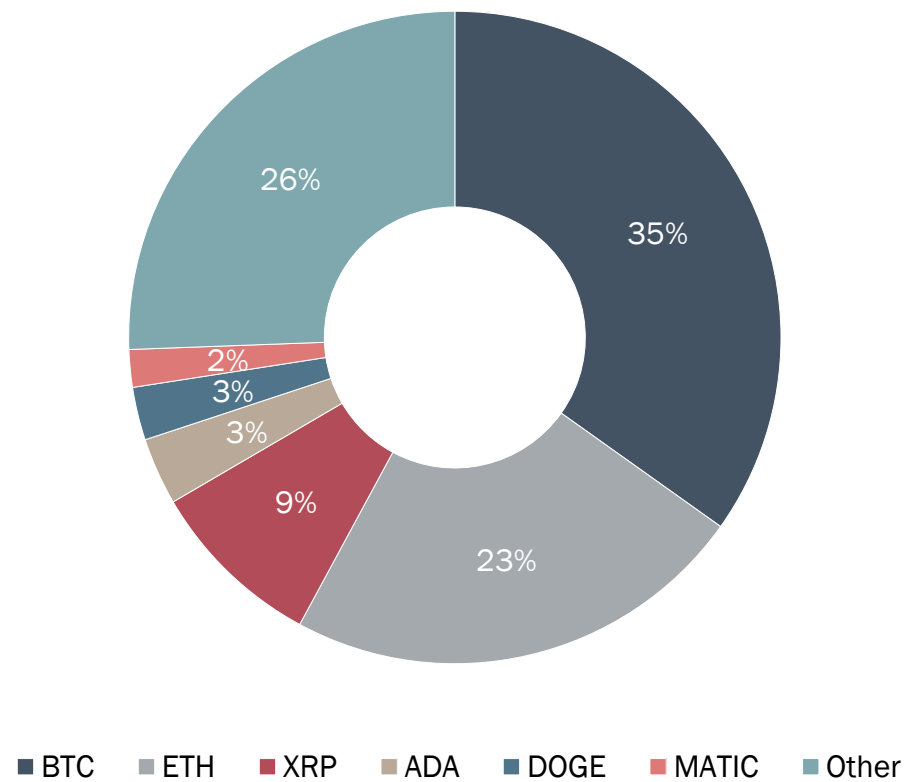
## Digital Surge Pty Ltd (Administrators Appointed)

Our investigations of the customers ledger thus far indicate that the Company held \$55.4 million of digital assets and \$9.2 million of cash at appointment date (total of \$64.6 million). 58% of digital assets held by the Company were a combination of Bitcoin and Ethereum.

Digital Assets location on appointment



Breakdown of Digital Assets at appointment



*Note: all dollar amounts are in AUD. All figures are best estimates based from the records obtained from the Company and investigations undertaken thus far.*



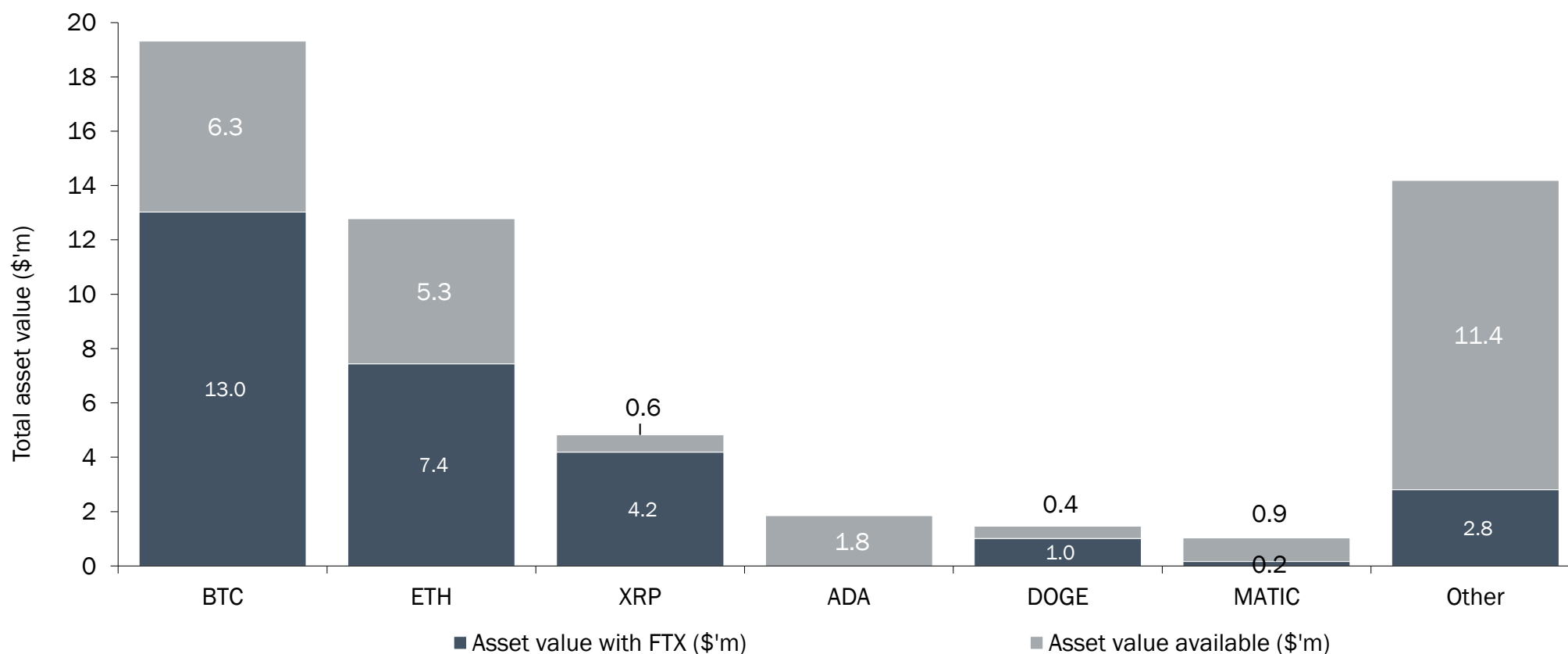
# Business status at appointment

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## Digital Surge Pty Ltd (Administrators Appointed)

\$28.6 million of digital assets (52% of total digital assets) and \$3.6m of cash (40% of cash in customers' ledgers) were held by the FTX group of companies on appointment date. The remaining 48% of digital assets is held by the Administrators.

### Digital assets held by Administrators vs. locked with the FTX group of companies



*Note: all dollar amounts are in AUD. All figures are best estimates based off the records obtained from the Company and investigations undertaken thus far.*

## Digital Surge Pty Ltd (Administrators Appointed)

The following steps will be undertaken by the Administrators, with a view to achieving the best possible outcome for all creditors of the Companies.

01

Continue to investigate the events leading to administration and the conduct of the Company.

02

Assess final offers from interested parties to seek the best possible outcome for creditors.

03

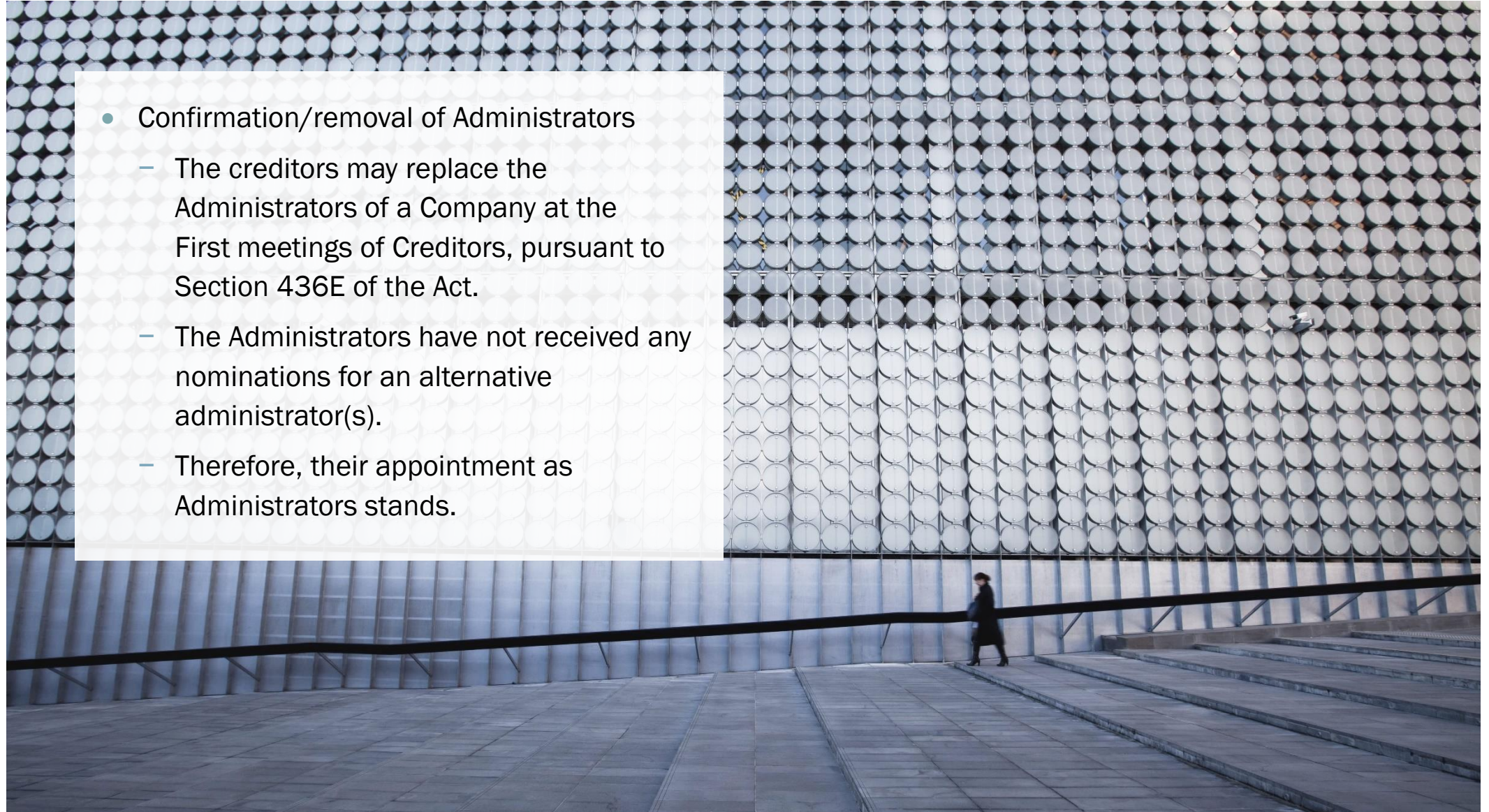
Include findings of our investigations and our recommended transaction in a report to be sent prior to the Second Meeting of Creditors (to be sent by 17 January 2023).

04

Hold the Second Meeting of Creditors to allow creditors to vote on the future of the Company (to be held by 24 January 2023).

We will regularly communicate with you and all of the stakeholders.

- Confirmation/removal of Administrators
  - The creditors may replace the Administrators of a Company at the First meetings of Creditors, pursuant to Section 436E of the Act.
  - The Administrators have not received any nominations for an alternative administrator(s).
  - Therefore, their appointment as Administrators stands.



# Questions

Only creditors who have submitted a proof of debt are permitted to ask questions.

For those creditors with a question:

- Please submit your question via the Q&A function.
- Common questions submitted will be answered via an FAQ posted to our website.
- Individual questions will be answered by email.

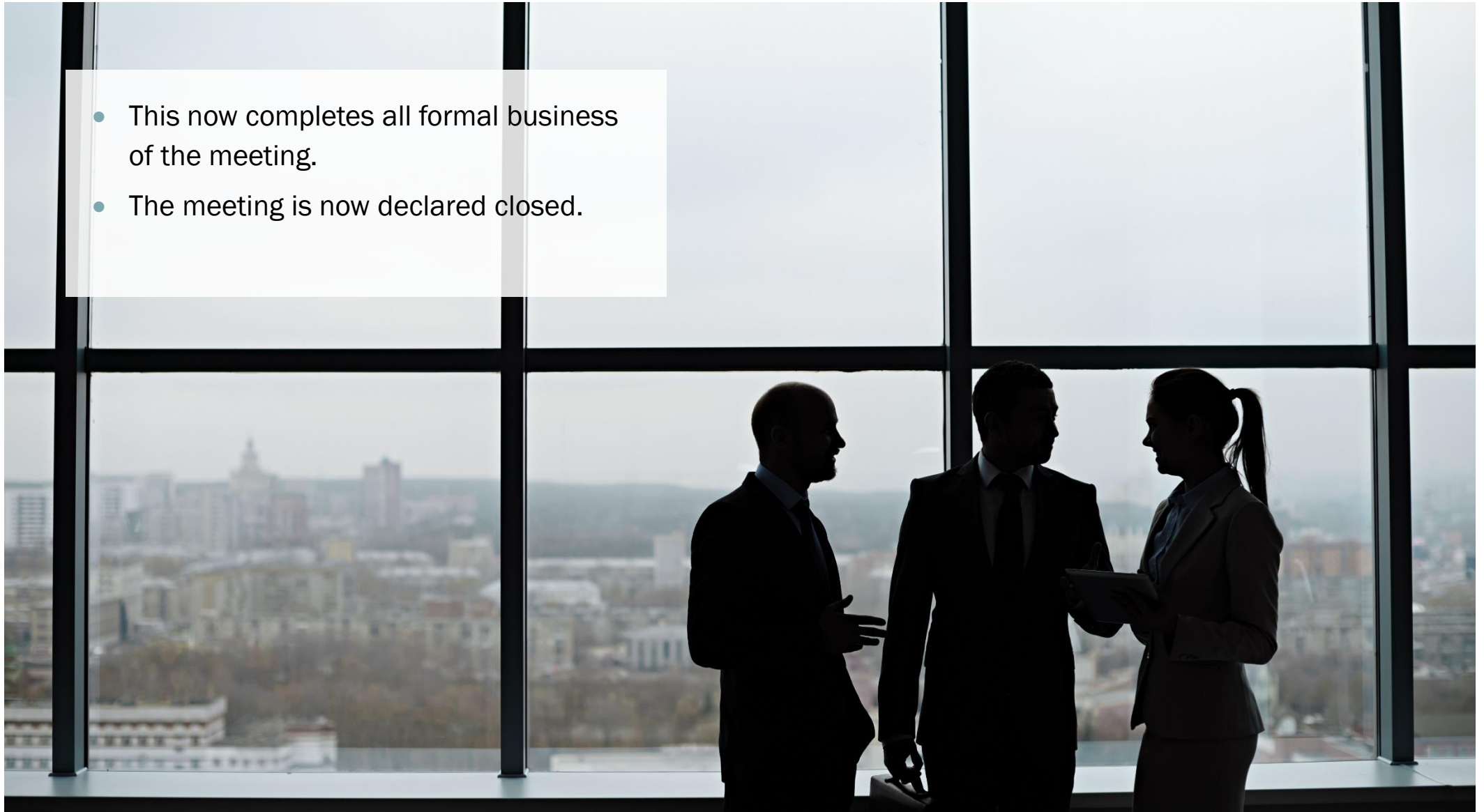


# Closure of meeting

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## Digital Surge Pty Ltd (Administrators Appointed)

- This now completes all formal business of the meeting.
- The meeting is now declared closed.



The logo graphic consists of two overlapping light gray rectangles. The rectangle on the left is wider and shorter, while the one on the right is narrower and taller, creating a stepped effect.

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[kordamentha.com](http://kordamentha.com)