



INITIAL REPORT TO CREDITORS

PROSPERO MARKETS PTY LTD (IN LIQUIDATION)

ACN: 145 048 577

8 May 2024

ANDREW CUMMINS, JONATHON KEENAN
& PETER KREJCI
Joint and Several Liquidators



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COMPANY DETAILS

Name	Prospero Markets Pty Ltd
Incorporated	6 July 2010
ACN	145 048 577
ABN	11 145 048 577
Registered Office	186 Bellair Street Kensington VIC 3031
Trading Address	186 Bellair Street Kensington VIC 3031

LIQUIDATORS

Name	Andrew Cummins Jonathon Keenan Peter Krejci
Date Appointed	10 April 2024

ADMINISTRATION CONTACT

Name	Prospero Team
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Phone	1300 291 012 (toll free) +61 2 8044 0530 (international)

GLOSSARY OF COMMON ACRONYMS & ABBREVIATIONS

ABN	Australian Business Number
ACN	Australian Company Number
Act	Corporations Act 2001 (Cth)
AFP	Australian Federal Police
AFSA	Australian Financial Security Authority
AFSL	Australian Financial Services Licence
ARITA	Australian Restructuring Insolvency and Turnaround Association
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
Bendigo Bank	Bendigo and Adelaide Bank Limited
CBA	Commonwealth Bank of Australia
Chang Jiang Currency Exchange	Chang Jiang Financial Pty Ltd (In Liquidation)
Company	Prospero Markets Pty Ltd (In Liquidation)
DCT	Deputy Commissioner of Taxation
DEWR	Department of Employment and Workplace Relations
Director	Xuehao Zhou
DIRRI	Declaration of Independence, Relevant Relationships & Indemnities
FEG	Fair Entitlements Guarantee
Firm	BRI Ferrier
FY	Financial Year
IRN	Initial Remuneration Notice
IPR	Insolvency Practice Rules (Corporations) 2016
IPS	Insolvency Practice Schedule (Corporations) 2016
LP	Liquidity Providers
NAB	National Australia Bank Limited
Petitioning Creditor	Australian Securities and Investments Commission
POCA	Proceeds of Crime Act 2002
POD	Proof of Debt
PPSR	Personal Properties Securities Register
Responsible Managers	Wei (David) Hong, Xuehao (Hal) Zhou, Fulai (Flynn) Sun, Ye (Eric) Qu
ROCAP	Report on Company Activities and Property
Shareholder	Sheng Yi Wang

1 QUICK SHEET

KEY QUESTIONS	ANSWERS
Why were Liquidators appointed?	A winding up application was filed by ASIC and Andrew Cummins, Jonathon Keenan and Peter Krejci were appointed as Joint and Several Liquidators on 10 April 2024 pursuant to an order of the Federal Court of Australia.
What happened to the business?	The Company's AFSL was suspended in December 2023 and the Company ceased trading as it was no longer able to issue financial products. The suspension followed prosecutions by AFP of certain associated parties, over allegations of money laundering and other offences.
What assets are available?	The assets are primarily funds held with Australian financial institutions and LPs. We have also secured a substantial portion of the Company's operating funds, with further recoveries being pursued.
Where are the client funds?	We have confirmed that CBA continue to hold the designated client trust funds, totalling circa AUD\$19.7M. Those trust funds remain frozen while we determine the total client claims and run an orderly distribution process, subject to directions from the Courts.
What are the liabilities?	<p>We have received a substantive level of enquiries, particularly from clients. Our investigations are continuing to determine the total client and creditor claims which will take time, and will require directions from the Courts.</p> <p>There may be mixing issues, where claims have been received from clients of offshore business, Prospero Markets LLC.</p>
What should clients & creditors do?	We encourage creditors to submit their claims via the Creditor Portal with Link Market Services. Link has emailed all known creditors with login details to the Creditor Portal to lodge documents, including banking details.
What is the return for clients and the timeframe?	<p>Preliminary investigations indicate there are sufficient funds to discharge all client claims. We are seeking judicial directions from the Court before client funds can be distributed.</p> <p>We anticipate a timeframe of 2-3 months, subject to the Court directions and no substantive issues in the adjudication process.</p>
What is the return for employees?	We believe there are sufficient realisations to pay employee creditors in due course. However the timing is dependent on the outcome of investigations which will take time. As such, we encourage employees to lodge a claim with FEG as soon as possible.
What is the return for unsecured creditors?	Initial enquiries suggest that the Company may be solvent, and unsecured creditor claims may be paid in full. However, this is subject to recovery of all assets and our investigation of all claims.
What happens next?	We are conducting investigations and to determine the extent of claims and available returns. A detailed report will be issued by 10 July 2024, which will advise quantum and timing of a distribution to clients & other creditors.

2 EXECUTIVE SUMMARY

We, Andrew Cummins, Jonathon Keenan and Peter Krejci of BRI Ferrier, were appointed Joint and Several Liquidators of the Company on 10 April 2024 pursuant to an Order of the Federal Court of Australia. The winding up application was filed by the ASIC on just and equitable grounds, following a range of concerns regarding management and compliance discussed below.

Based on our preliminary enquiries, it appears that the Company may be solvent, however this is subject to recovery of all assets and the completion of our investigations into the total client and creditor claims, which will take time.

This report has been prepared pursuant to Insolvency Practice Rule 70-30. You have received this Report because we are aware that you may have a creditor claim and/or the books and records available identified you as a creditor.

We provide a brief overview of the Company's affairs, as presently known to us, from our initial enquiries. A more detailed report will be provided to creditors by 10 July 2024.

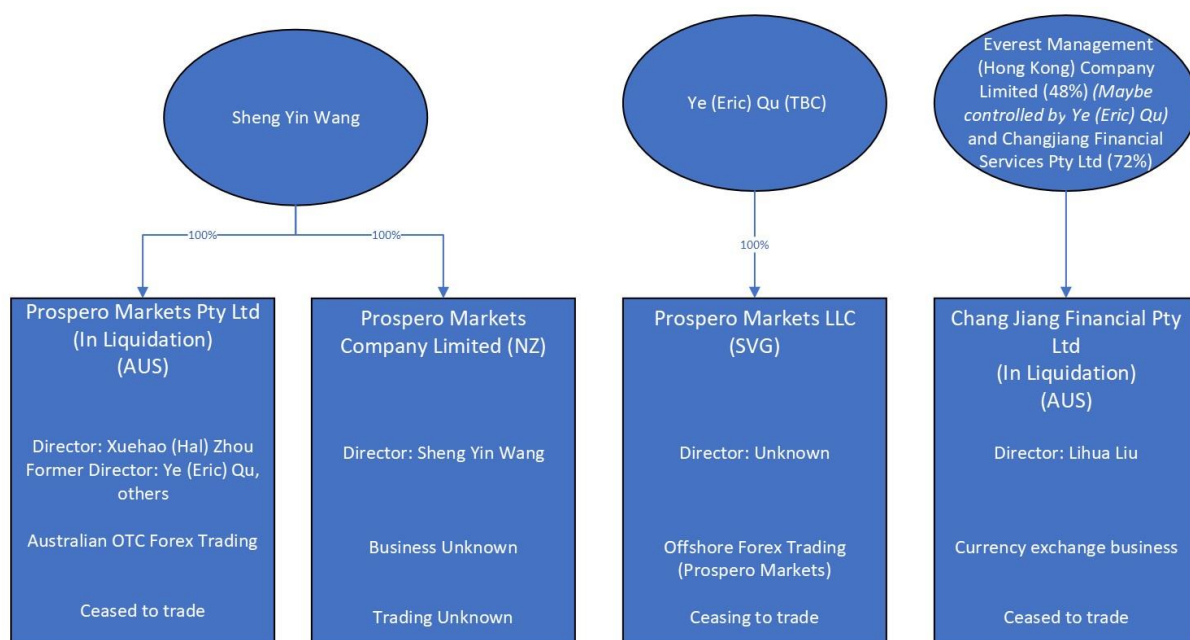
Upon our appointment, we immediately contacted the Director, Mr Xuehao (Hal) Zhou. Mr Zhou explained that he had only been appointed in October 2023 and advised that Mr Wei (David) Hong, one of the Responsible Managers under the Company's AFSL, was a key source of information pertaining to the Company's operations generally. It was understood that Mr Ye (Eric) Qu, was previously the managing director of the business, however, since October 2023, Mr Qu's involvement has been limited. Our contact with the Company's management team has therefore been primarily with Mr Hong and Mr Zhou.

We have requested the Director and each of the Responsible Managers to complete and submit a ROCAP and other information pursuant to section 475(4) of the Act. A response from the Director was due on 29 April 2024, which was not met. A failure to submit a ROCAP within the required time frame is a breach of the Act and which will be reported to ASIC. Notwithstanding, the Director has indicated that he is currently completing the ROCAP and other requested information.

2.1 GROUP STRUCTURE

It appears that the Company operated as part of a broader group of businesses, all providing financial services within Australia and offshore, which we will refer to as the "Prospero Group". Certain associated entities and persons within the Prospero Group have been pursued by regulatory bodies, such as the AFP, AFSA and ASIC, where there have been allegations of money laundering and other offences, which has resulted in various prosecutions and, ultimately, led to this liquidation.

We have prepared below a chart summarising the known structure of the Company and associated entities, which appear relevant to this Liquidation. This is based on our preliminary enquiries, and more will become known in due course.



2.2 INTRODUCTION

The business ceased trading in late 2023, around the time that the Company's AFSL was suspended by ASIC. The remaining operations were limited to the maintenance of critical infrastructure relating to the financial services business and clients' interests in same.

Our initial focus in the Liquidation has been to pursue recovery of the Company's assets (including the client trust funds), and secure relevant records in order to facilitate an efficient distribution to creditors in due course. Further details of recoveries made to date and our progress in securing Company records are detailed in Section 2.4 and 2.5 respectively.

In respect of the Company's liabilities, the majority appears to be represented by client claims, which are statutory trust claims. We have received a substantive level of enquiries from clients, specifically pertaining to the timing and withdrawal of client funds. We set out below in Section 3.1 further details on a distribution process for clients.

We are also aware that the Company owes various liabilities in respect of the business operations, particularly former employee claims and trade creditors. We have been contacted by various former employees and trade creditors in respect of outstanding debts owed by the Company. We have also identified trade supplier liabilities in the Company's management accounts, however the management accounts are not up to date given the cessation of trading some months ago. We have engaged the Company's former bookkeeper to assist with reconciling the management accounts, which we anticipate being completed in the coming weeks. There may be additional creditors identified, subject to further investigation work.

It is too early to determine if there are any claims to be pursued in the Liquidation and/or what recoveries may result from the same, particularly if the Company is solvent. In any event, we are required to investigate the Company's affairs and the conduct of its officers, and report our findings

to ASIC in due course. If any creditors have information relevant to the Liquidation, they are encouraged to contact our office without delay, such that it may assist our investigations.

2.3 HISTORY AND BACKGROUND

The Company held an AFSL and operated a financial services business in which it was authorised to deal with derivatives and foreign exchange contracts, making markets and providing general financial product advice for same to retail and wholesale clients. In October 2023, the AFP charged several individuals in relation to allegations of money laundering and other offences involved in the Chang Jiang Currency Exchange business, where some of the parties involved were in the management of the Company.

It appears that ASIC had been monitoring the Company since late 2022. Following the AFP conducting prosecutions of associated parties, ASIC commenced a formal investigation into suspected contraventions of various obligations relating to filing certain declarations, audited financial accounts and reporting as required under laws and regulations governing the AFSL. On 20 December 2023, ASIC suspended the Company's AFSL after the Company's failure to lodge audited financial accounts for FY2023. Following this suspension, the Company largely ceased trading as it was unable to issue financial products and all open client positions were apparently closed. We understand during this period, the majority of staff were terminated by way of formal redundancy.

As a result of ASIC's investigations into the Company's affairs, ASIC formed the view that there were serious concerns regarding the Company's management of the business. Accordingly, ASIC made an application to the Federal Court of Australia to wind up the Company on 'just and equitable' grounds pursuant to section 461(1)(k) of the Act and we were appointed as Joint and Several Liquidators on 10 April 2024.

2.4 ASSET RECOVERIES

Upon our appointment, we have focused primarily on securing the Company's assets (including client funds) and records held on various IT platforms.

We have received confirmation that CBA is holding various bank accounts, which the Company had determined to be designated client trust accounts holding client funds totalling circa \$19.7M. Those accounts had been frozen some months prior to our appointment in accordance with orders obtained by ASIC and other regulatory bodies. We have issued instruction to CBA that the freeze is to remain over all those trust accounts while we investigate the total client liability position.

We have sought legal advice in respect of the client funds, as there are potential mixing issues and the extent of the client liabilities is yet to be determined. Having regard to that advice, we have formed the view that a Court application is required to seek judicial advice and directions as to (among other things and without limitation):

- the extent and characterisation of trust funds;

- ▶ the process for resolving client claims in respect of returning trust funds;
- ▶ the Liquidators' expenses incurred in dealing with the trust funds; and
- ▶ the appropriate course for disbursing funds to clients.

This is explained further below in Section 3.1.

In respect of other Company assets, we also wrote to a number of LPs and Australian financial institutions, identified as operational funds through the Company's books. To date, we have recovered approximately \$2.02M from three LPs, \$1M from Bendigo Bank and \$15K cash on hand into the Liquidation bank account.

We are continuing to pursue recovery other operational funds, including amounts held with an LP, who has refused to release the Company's funds to us. We have instructed our lawyers to make a formal demand to this LP, and ultimately may need to seek orders of the Singaporean Courts.

We are also investigating approximately \$1.1M funds that were withdrawn from an LP in the months prior to our appointment, however which are now missing. We are pursuing tracing of the funds from the various financial institutions and are working towards a recovery. Further work is required, and legal proceedings may be necessary if adequate responses are not forthcoming.

The Company had two offices, one in Box Hill, VIC and another in the Sydney CBD. The assets are those leased premises primarily consisting of office furniture, IT equipment, fixtures and fittings, and certain cash and sundry items. We have attended these leased premises and also engaged an independent valuer, O'Maras, to catalogue the property and provide a valuation report on the physical assets. Subject to recovering what value we can from the physical assets, we intend to disclaim the Company's interest in the leased premises and any unrealisable property that remains onsite. We note that there may be claims from third parties over certain assets, and we discuss the relevant proof process in respect of those assets in Section 3.3.

2.5 COMPANY BOOKS AND RECORDS

We have sought to secure Company books and records, in particular, MT4 client data, to determine if the level of client funds held with the CBA are sufficient to enable a return of client funds in full. We have engaged an MT4 expert to obtain access to, and secured the MT4 client data stored on two servers. We also sought to secure continued access to the MT4 platform and have liaised with Metaquotes in this regard.

Correspondence with the Director and Mr Hong indicate there are 2 groups of clients, one group domiciled in Australia considered to be clients of the Company and another group who are clients of Prospero Markets LLC, a company incorporated in St Vincent and the Grenadines. These clients appear to be located offshore, primarily in China.

Our investigations (which have been confirmed by the Director and Mr Hong) have confirmed that the offshore clients utilise our Company's MT4 license, and the Company's Australian based clients utilise

the MT4 license of another related entity known as Prospero Markets Company Limited (a company incorporated in New Zealand). This presents an issue, as our appointment is only over the Company and not any other entities in the Prospero Group, which may impact our investigations.

We are aware that MT4 access to Prospero Markets Company Limited has been restricted and now appears to have been taken offline. We have requested that this access urgently be restored, to assist with the return of client funds and we are awaiting a response. Regardless, we confirm that we have secured a backup of the MT4 data, and if required, we are likely in a position to verify client liabilities from this backup with the assistance of the MT4 expert engaged.

We have also sought to secure other Company records, including obtaining copies of the Company's email server, CRM database, and general computer systems to varying success. Our efforts are ongoing.

In addition, we have obtained access to the Company's Reckon management system and have arranged for the accounts to be brought up to date by the Company's former bookkeeper. We anticipate this work to be completed in the coming weeks.

3 EFFECT ON CREDITORS

We have engaged Link Market Services to assist with the creditor management process, including for returning client funds, via an online portal for the purposes of capturing claims, uploading documentation (including banking instructions), conducting the formal adjudication process and ultimately, distributing funds to creditors. All creditors will receive separate correspondence from Link Market Services with unique login credentials for the online portal. The online portal will require identity verification for security purposes and as such, for corporate creditors, we recommend that an authorised representative (usually the director of the entity) verifies their identity.

All creditors are requested to submit claim via the Link Creditor Portal. This includes any creditors that have already lodged documents, as the claims will re-submitted under the identification and verification process. The POD form is an electronic form in the online portal.

Creditors should be aware that they are subject to certain restrictions with respect to their claims when the Company is being wound up.

We provide a summary of the effect on creditors:

3.1 CLIENTS

As mentioned above, the Company ceased trading prior to our appointment. We understand that all open positions were closed on or around 13 November 2023. We have invited clients with available equity to lodge a claim in the Liquidation and provide supporting documentation, such as a copy of the most recent MT4 statement confirming their equity position.

We have received claims from clients of the related offshore entity, Prospero Markets LLC, and we are advised by the Director and Mr Hong that these clients do not have a valid claims against the Company. Our enquiries indicate a mixing in terms of operational aspects of the MT4 licences, and investigations are required to formally adjudicate those claims. Accordingly, we are currently registering those parties as potential client creditors to be reviewed and adjudicated prior to any distribution.

In accordance with the Company's Product Disclosure Statement, if there are sufficient client funds to meet client liabilities after costs, then monies will be returned in full. If there are insufficient client funds to meet client liabilities, after costs, then monies will be returned on a *pari passu* (proportionate) basis.

Link Market Services have been engaged to assist with the adjudication and distribution process, which is summarised as follows:

1. Clients must submit a POD and supporting documentation on the online portal. Clients are requested to provide:
 - a. Latest MT4 statement and/or screenshot of their equity balance from the MT4 platform.
 - b. Remittance Advices demonstrating funds deposited into the Company's bank accounts.
 - c. Certified Bank Statement showing bank account name (matching the MT4 account holder's details).
2. Clients will be required to verify their identity (drivers licence or passport) on the online portal for security purposes.
3. Clients will be required to setup Two Factor Authentication (2FA) to login.
4. Claims and supporting documentation will be reviewed by our office, which is anticipated to require at least 4 weeks given the number of clients.
5. Funds will be distributed via EFT by Link Market Services.

We have also sought legal advice and we have formed the view that we require judicial advice and directions in respect of the characterisation and treatment of client funds and client distribution process, to ensure that we are appropriately dealing with the client funds and that the costs of the distribution process can be met from the client funds. Accordingly, we intend to file a Court application to be heard on an urgent basis. This work will be undertaken parallel with the client distribution process detailed above. However, the return of client funds will not be conducted until judicial advice is obtained, justifying the clients' rights and our proposed course of action in that regard.

Subject to the Court making judicial directions and there are no substantive issues encountered in the adjudication process, we anticipate a timeframe of 2-3 months for a distribution to clients.

3.2 TRADE SUPPLIERS

All claims against the Company in respect of goods and/or services provided to the Company prior to our appointment are effectively frozen as at the date of our appointment.

As mentioned above, the Company ceased trading prior to our appointment, and we will not accept responsibility or any liability in respect of any goods or services provided after the date of our appointment unless express written authorisation has been provided by our office.

We have been in discussions with certain key suppliers in relation to continuation of supply of critical infrastructure, including the MT4 licences and online platform.

As discussed earlier, trade suppliers are requested to submit claims via the Link Creditor Portal. This includes providing supporting documentation for debts owed by the Company.

3.3 LANDLORDS / LESSORS

Whilst the Company is in Liquidation, a moratorium is imposed on all debts outstanding as at the date of our appointment. This extends to amounts outstanding to equipment lessors and landlords of any premises leased by the Company.

The Company previously operated from leased premises at Box Hill VIC and Sydney NSW. We have engaged a valuer and intend to remove and realise the available property in those premises. Thereafter, we intend to disclaim the Company's interest in the premises leases as the Company is no longer trading. We understand the landlord for the Box Hill premises has already claimed the rental bond and our enquiries as to any recovery that may be available to the Company are continuing.

If there are any personal items or belongings that have been left at the leased premises, please provide a listing of the items and proof of title (if available) by no later than 22 May 2024. Once we can verify the claims, we will arrange access to collect personal items or belongings.

We are not aware of any equipment lease arrangements with the Company. We request that any parties with such arrangements contact our office immediately so that they may be considered.

3.4 EMPLOYEES

We are advised that the Company terminated all staff prior to our appointment. The termination was by way of formal redundancy, when the Company ceased to trade in late 2023. As such, former staff may be entitled to redundancy entitlements, such as payment in lieu of notice and severance (redundancy) pay.

Former employees of the Company have a statutory priority of payment in respect of outstanding entitlements such as wages, superannuation, annual leave, long service leave, payment in lieu of notice and redundancy. In the event that there are insufficient funds to pay a dividend to priority (employee) creditors in a winding up, employees (excluding the Directors and related parties) may lodge a claim under the FEG scheme with the Department of Employment and Workplace Relations in respect of certain entitlements that they are owed, subject to them meeting the eligibility requirements of the FEG scheme. FEG does not pay outstanding superannuation.

At this stage and based on preliminary investigations, we believe realisations may be sufficient to discharge the priority (employee) creditors, however the timing of such payment is dependent on the outcome of investigations into Company's affairs, including the trust assets and claims, which may take some time to determine. On this basis, we encourage former employees to lodge a claim with FEG as soon as possible.

We will provide further information on the employee claims and potential distributions in the upcoming statutory report to creditors.

As discussed earlier, employees are requested to submit claims via the Link Creditor Portal. This includes providing supporting documentation for entitlements owed by the Company.

3.5 SECURED CREDITORS AND SECURITY INTERESTS

A search of the Personal Property Securities Register indicates that there is one (1) security interest registered against the Company. The security interest is in favour of the Official Trustee, who administers Proceeds of Crime orders on behalf of the Commissioner of the Australian Federal Police.

We have engaged with the Official Trustee's representative at AFSA, who has confirmed their security interest pertains to court order made under the Proceeds of Crime Act 2002. AFSA have confirmed that the scope of the POCA orders in relation to the Company is limited in scope, and currently pertains only to the rights of certain shareholders to receive dividends, distributions and returns from the Company. On this basis, we do not anticipate the POCA Orders will affect the return of client funds or other unsecured creditor distributions. Notwithstanding, we will continue to liaise with the AFP and Official Trustee regarding the prospects of any returns to shareholders, which are subject to their security interest.

We encourage any creditors with unregistered security interests to contact our office urgently and provide the relevant documentation to support their claims, if they have not already done so.

3.6 CONTRACTS AND AGREEMENTS

Unless advised in writing, we do not accept adoption of any existing contracts. Customers, suppliers and any other parties with such contracts should contact our office immediately so that they may be considered.

3.7 LEGAL PROCEEDINGS

Pursuant to Section 500(2) of the Act, our appointment as Joint and Several Liquidators automatically stays any current legal proceedings against the Company. Creditors cannot commence or continue proceedings against the Company without our written consent or leave of the Court.

Other than the winding up application commenced by ASIC, we are not aware that the Company was involved in any other legal proceedings at the time of our appointment. We note that ASIC will be owed petitioning creditors costs, which carry a priority right of repayment from the Company assets.

4 YOUR RIGHTS AS A CREDITOR

Information regarding your rights as a creditor is provided in the information sheet enclosed. This includes your right to:

- Make reasonable requests for a meeting;
- Make reasonable requests for information;
- Give directions to us;
- Appoint a reviewing liquidator; and
- To replace us as Liquidator.

5 REMUNERATION OF THE LIQUIDATORS

This is a complex Liquidation and will take some time to complete. Our remuneration and costs incurred will be paid from the Company's available assets, including any right of exoneration from trust assets. If there are insufficient funds available in the liquidation, we may not get paid in full.

In our next report, we may write and ask that you approve our remuneration for the work that we do in completing the liquidation. We will provide you with detailed information so that you can understand what tasks we have undertaken and the costs of those tasks.

At this stage we will not be making a request to creditors to approve our remuneration. However, annexed as **Annexure "C"** is the IRN. The IRN provides an initial estimate of the costs to perform the Liquidation based on circumstances known to us, the method of calculating remuneration and our Firm's hourly rates.

6 INFORMATION FOR CREDITORS

We have included the following initial notices and documents in connection with our appointment for your information.

Annexure	Document	Description	Further Action Required by you
A	DIRRI	The DIRRI assists you to understand any relevant relationships that we have, and any indemnities or upfront payments that have been provided to us. None of the relationships mentioned in this document affect our independence.	No

Annexure	Document	Description	Further Action Required by you
B	Information Sheet – Creditors Rights in Liquidation	As a creditor, you have certain rights, although you no longer have the right to seek payment by the Company of your outstanding debt. This information sheet provides a detailed list of your rights.	No
C	Initial Remuneration Notice (IRN)	This document provides an estimate of the costs to perform the Liquidation, the method of calculating remuneration and our Firm's hourly rates.	No

7 WHAT HAPPENS NEXT?

We will proceed with the Liquidation, including:

- Collect and receive further books and records of the Company.
- Follow up the Director and Responsible Managers and if required, request ASIC's assistance to obtain ROCAPs.
- Recovering and selling any available property of the Company, if any.
- Pursue recovery of assets held offshore, including commencing litigation if necessary.
- Verify client liabilities and with the assistance of Link Market Services and distribution of client funds.
- Prepare and file application to Court to obtain judicial directions regarding the distribution of client funds.
- Verify outstanding employee liabilities and liaising with DEWR regarding the distribution of priority (employee) claims.
- Conduct investigations into the Company's affairs, subject to available records.
- Issue a further and more detailed report to Creditors.
- Reporting to the corporate regulator, ASIC.
- Pursue any recoveries available in the form of voidable transactions and insolvent trading claims, if Company is found to be insolvent and subject to funding being available.
- Prepare and lodge outstanding Company Tax Returns and other statutory lodgements in order to obtain a tax clearance and declare dividends.
- Pay a dividend to the ordinary unsecured creditors, if available.

We will also write to you within three (3) months of our appointment advising of the likelihood of a dividend to priority (employee creditors) and ordinary unsecured creditors. We will also update you on the progress of our investigations. We may write to you again after that with further information on the progress of the Liquidation, if necessary.

8 QUERIES

If creditors have any information which may assist us in our investigations, please contact our office as a matter of urgency.

Please note that Liquidators are not required to publish notices in the print media. ASIC maintains an online notices page for external administrators to publish notices in respect of companies. Creditors are encouraged to visit <http://insolvencynotices.asic.gov.au> throughout the liquidation to view any notices which may be published in respect of the Company.

ARITA provides information to assist creditors with understanding liquidations and insolvency. This information is available from ARITA's website at <https://www.arita.com.au/creditors>

ASIC also provides information sheets on a range of insolvency topics. These information sheets can be accessed on ASIC's website at asic.gov.au (search for "insolvency information sheets").

Should you have any further queries, please contact our office:

- ▲ Phone: 1300 291 012 (toll free) or + 61 2 8044 0530 (international)
- ▲ Email: prosperomarkets@brifnsw.com.au

Yours faithfully

PROSPERO MARKETS PTY LTD (IN LIQUIDATION)



JONATHON KEENAN

Joint and Several Liquidator

The logo for BRI Ferrier, featuring the text "BRI Ferrier" in white on a dark grey rectangular background. A green triangle is positioned at the bottom right corner of the grey rectangle.

BRI Ferrier

**Prospero Markets Pty Ltd
(In Liquidation)**

ACN 145 048 577

**Annexure "A"
Declaration of Independence,
Relevant Relationships and
Indemnities (DIRRI)**

Declaration of Independence, Relevant Relationships and Indemnities

Prospero Markets Pty Ltd
(In Liquidation)
ACN 145 048 577

8 May 2024

Peter Krejci, Andrew Cummins
& Jonathon Keenan
Joint and Several Liquidators

Novabrif Pty Ltd t/as BRI Ferrier
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Website: www.briferrier.com.au



The purpose of this document is to assist creditors with understanding any relevant relationships that we, the Joint and Several Liquidators, have with parties who are closely connected to Prospero Markets Pty Ltd (In Liquidation) ACN 145 048 577 (“the Company”) and any indemnities or upfront payments that have been provided to us. None of the relationships disclosed in this document are such that our independence is affected.

This information is provided so you have trust and confidence in our independence and, if not, you can ask for further explanation or information and can act to remove and replace us if you wish.

This declaration is made in respect by us, our partners and the BRI Ferrier network around Australia.

We are Professional Members of ARITA – Australian Restructuring Insolvency and Turnaround Association. We acknowledge that we are bound by the ARITA Code of Professional Practice.

A. INDEPENDENCE

We, Peter Krejci, Jonathon Keenan and Andrew Cummins, of BRI Ferrier have assessed our independence prior to accepting the appointment as Joint and Several Liquidators of the Company in accordance with the law and applicable professional standards and we are not aware of any reasons that would prevent us from accepting this appointment. There are no other known relevant relationships, including personal, business, and professional relationships that should be disclosed beyond those we have disclosed in this document.

B. CIRCUMSTANCES OF APPOINTMENT

I. HOW WE WERE REFERRED THIS APPOINTMENT

This appointment was referred to us by the Australian Securities and Investments Commission (“ASIC”). ASIC is the regulator of companies incorporated in Australia, including entities which offer Financial Services under an AFSL. From time to time, ASIC will petition to have companies wound up for various regulatory and public interest reasons.

As Registered Liquidators regulated by ASIC, we have been referred other matters by ASIC historically. Those matters involved us being appointed to replace existing Liquidators, whom ASIC had sought to remove for various reasons, including misconduct or regulatory issues. There is no referral arrangement with ASIC, rather they are the regulator.

We believe that this referral does not result in a conflict of interest or duty because:

- Whilst we have received referrals from ASIC from time to time, these have been on an adhoc basis.
- The giving of a consent to act does not result in any duty owed to that party that would conflict with my interests or duties under the Corporations Act.
- We have not received or paid any benefit to ASIC with respect of these referrals.

- As the Corporate Regulator, the ASIC is bound to act within the rules and regulations set out by the Corporations Act.

There is no expectation, agreement or understanding between us and ASIC regarding the conduct of the Liquidation and we are free to act independently and in accordance with the law and applicable professional standards.

We have engaged in various discussions with ASIC regarding the potential appointment, as detailed below:

- On 19 February 2024, we received an email from ASIC notifying us of their intention to pursue the winding up of the Company and requesting that we attend a meeting to consider whether we would consent to act as Liquidators. A teleconference was held later that day involving various ASIC representatives, wherein we were provided various details on the Company's background, operations, structure, compliance, financial position and dealings with certain associated parties that were targets in Australian Federal Police prosecutions.
- On 19 February 2024, we received a further email from ASIC, providing particulars of the proposed appointment and requesting we conduct checks to determine if we were free of conflicts to act (if appointed). On 21 February 2024, we exchanged emails with ASIC, confirming that we were free to act as Liquidators of the Company.
- On 23 February 2024, we exchanged emails with ASIC, providing our consent to act.
- On 1 March 2024, we received an email from ASIC advising that they had filed an application with the Federal Court of Australia to have the Company wound up, and that they had issued a media release in that regard.
- On 19 March 2024, we had telephone call with ASIC representatives, wherein we were provided an update on the winding up application and potential timing for the matter to be heard.
- On 20 March 2024, we received a telephone call from an ASIC representative, wherein we were advised the hearing of the winding up application had been adjourned.
- On 9 April 2024, we had telephone call with an ASIC representative, wherein we were provided an update on the winding up application. There were also discussions regarding operational matters and contact points for the potential appointment.
- On 10 April 2024, we received a telephone call, and later an email, from an ASIC representative, wherein we were advised that the Federal Court had made Orders placing the Company into Liquidation and appointing us as Joint and Several Liquidators.

We have provided no information or advice to the Company, the Director or advisors prior to our appointment.

II. DID WE MEET WITH THE COMPANY, THE DIRECTORS OR THEIR ADVISER BEFORE WE WERE APPOINTED?

☐ Yes ☒ No

Neither we, nor our Firm, have met with the Company, its directors or their advisor prior to our appointment.

C. DECLARATION OF RELATIONSHIPS

Within the previous two years, we, or our firm, have had a relationship with:

Name	Nature of relationship
The Company	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
The Director	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Any associates of the Company?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
A secured creditor entitled to enforce a security over the whole or substantially the whole of the Company's property?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Do we have any other relationships that we consider are relevant to creditors assessing our independence?

☒ Yes ☐ No

Australian Securities and Investments Commission

ASIC is the regulatory body that deals with the registration of all Liquidators, including ourselves. We have various reporting and statutory compliance obligations to ASIC in respect of our registrations and on all formal appointments.

We have been referred other matters by ASIC historically. Those matters involved us being appointed to replace existing Liquidators, whom ASIC had sought to remove for various reasons, including misconduct or regulatory issues. There is no referral arrangement with ASIC.

ASIC is a creditor of the Company, in respect of costs incurred seeking to have the Company wound up. These petitioning creditor costs carry priority at law in terms of repayment.

ASIC is a sophisticated statutory creditor and is administratively bound to act as a Model Litigant. In our experience, ASIC does not seek to exert improper pressure on insolvency practitioners in connection with the discharge of their duties to creditors generally.

Australian Taxation Office

The Company's records indicate that the ATO may be a creditor of the Company.

The ATO is a sophisticated statutory creditor and is administratively bound to act as a Model Litigant. In our experience the ATO does not seek to exert improper pressure on insolvency practitioners in connection with the discharge of their duties to creditors generally.

We note that Principals of BRI Ferrier routinely accept nominations and appointments as insolvency practitioners by the major trading banks, in addition to creditors such as the ATO (as discussed above). The nature of these relationships varies over time depending on the nature of the engagements. Such relationships do not impede our independence or give rise to a conflict of duties because we accept such engagements only on the basis that our independence will be maintained and the relationships are maintained on professional commercial terms.

III. 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 a valid and enforceable security interest on the whole or substantially whole of the Company's property that should be disclosed.

D. 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 our remuneration or disbursements.

This does not include any indemnities we may be entitled to under the law. We have not received any other indemnities or upfront payments.

Dated: May 2024



.....
Andrew Cummins
Joint and Several Liquidator



.....
Peter Krejci
Joint and Several Liquidator



.....
Jonathon Keenan
Joint and Several Liquidator

NOTE:

1. *The assessment of independence has been made based on an evaluation of the significance of any threats to independence and in accordance with the requirements of the relevant legislation and professional Standards.*
2. *If circumstances change, or new information is identified, we are required under the Corporations Act 2001 and ARITA's Code of Professional Practice to update this Declaration and provide a copy to creditors with my next communication as well as table a copy of any replacement declaration at the next meeting of the insolvent's creditors. For creditors' voluntary liquidations and voluntary administrations, this document and any updated versions of this document are required to be lodged with ASIC.*



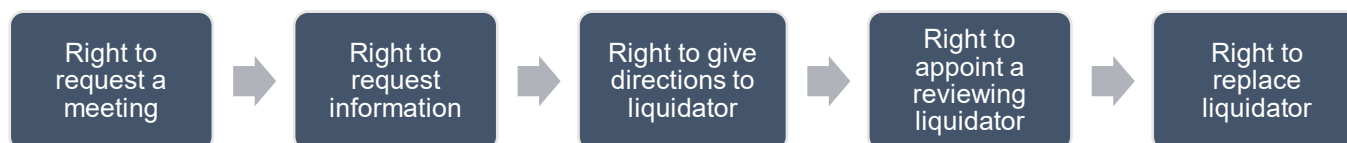
**Prospero Markets Pty Ltd
(In Liquidation)**

ACN 145 048 577

Annexure "B"
**ARITA Information Sheet -
Creditor Rights in Liquidation**

Creditor Rights in Liquidations

As a creditor, you have rights to request meetings and information or take certain actions:



If a simplified liquidation process is adopted, these rights are effectively limited to the right to request information.

Right to request a meeting

In liquidations, no meetings of creditors are held automatically. However, creditors with claims of a certain value can request in writing that the liquidator hold a meeting of creditors. The right to request meetings, including in the circumstances described below, is not available if a simplified liquidation process is adopted.

A meeting may be requested in the first 20 business days in a creditors' voluntary liquidation by $\geq 5\%$ of the value of the debts held by known creditors who are not a related entity of the company.

Otherwise, meetings can be requested at any other time or in a court liquidation by:

- $> 10\%$ but $< 25\%$ of the known value of creditors on the condition that those creditors provide security for the cost of holding the meeting
- $\geq 25\%$ of the known value of creditors
- creditors by resolution, or
- a Committee of Inspection (this is a smaller group of creditors elected by, and to represent, all the creditors).

If a request complies with these requirements and is 'reasonable', the liquidator must hold a meeting of creditors as soon as reasonably practicable.

Right to request information

Liquidators will communicate important information with creditors as required in a liquidation. In addition to the initial notice, you should receive, at a minimum, a report within the first three months on the likelihood of a dividend being paid.

Additionally, creditors have the right to request information at any time. A liquidator must provide a creditor with the requested information if their request is 'reasonable', the information is relevant to the liquidation, and the provision of the information would not cause the liquidator to breach their duties.

A liquidator must provide this information to a creditor within 5 business days of receiving the request, unless a longer period is agreed. If, due to the nature of the information requested, the liquidator requires more time to comply with the request, they can extend the period by notifying the creditor in writing.

Requests must be reasonable.

They are not reasonable if:

Both meetings and information:

- (a) complying with the request would prejudice the interests of one or more creditors or a third party
- (b) there is not sufficient available property to comply with the request
- (c) the request is vexatious

Meeting requests only:

- (d) a meeting of creditors dealing with the same matters has been held, or will be held within 15 business days

Information requests only:

- (e) the information requested would be privileged from production in legal proceedings
- (f) disclosure would found an action for breach of confidence
- (g) the information has already been provided
- (h) the information is required to be provided under law within 20 business days of the request

If a request is not reasonable due to (b), (d), (g) or (h) above, the liquidator must comply with the request if the creditor meets the cost of complying with the request.

Otherwise, a liquidator must inform a creditor if their meeting or information request is not reasonable and the reason why.

Right to give directions to liquidator

Creditors, by resolution, may give a liquidator directions in relation to a liquidation. A liquidator must have regard to these directions, but is not required to comply with the directions.

If a liquidator chooses not to comply with a direction given by a resolution of the creditors, they must document their reasons. An individual creditor cannot provide a direction to a liquidator.

If a simplified liquidation process is adopted, you may not be able to give directions, because meetings cannot be held to pass a resolution.

Right to appoint a reviewing liquidator

Creditors, by resolution, may appoint a reviewing liquidator to review a liquidator's remuneration or a cost or expense incurred in a liquidation. This right is not available if a simplified liquidation process is adopted. The review is limited to:

- remuneration approved within the six months prior to the appointment of the reviewing liquidator, and
- expenses incurred in the 12 months prior to the appointment of the reviewing liquidator.

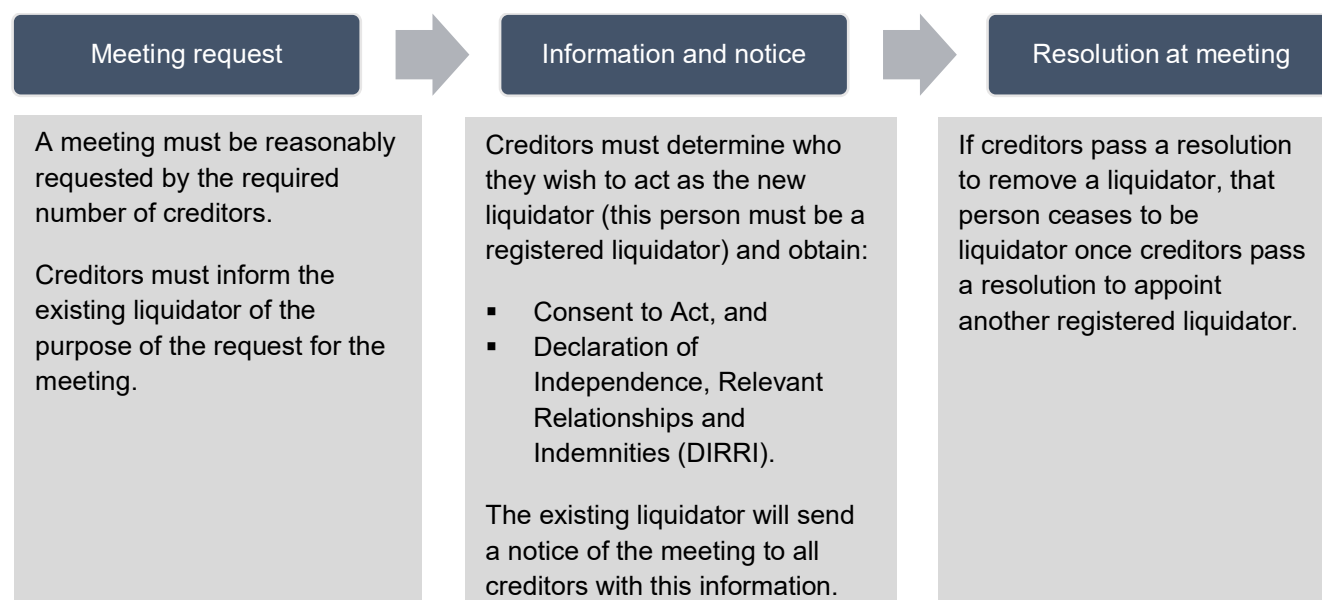
The cost of the reviewing liquidator is paid from the assets of the liquidation, in priority to creditor claims.

An individual creditor can appoint a reviewing liquidator with the liquidator's consent, however the cost of this reviewing liquidator must be met personally by the creditor making the appointment.

Right to replace liquidator

Creditors, by resolution, have the right to remove a liquidator and appoint another registered liquidator. This right is not available if a simplified liquidation process is adopted, because meetings cannot be held.

To replace a liquidator, there are certain requirements that must be complied with:



**For more information, go to www.arita.com.au/creditors.
Specific queries about the liquidation should be directed to the liquidator's office.**



**Prospero Markets Pty Ltd
(In Liquidation)**

ACN 145 048 577

**Annexure "C"
Initial Remuneration Notice (IRN)**

INITIAL REMUNERATION NOTICE

Insolvency Practice Schedule (Corporations) 70-50
Insolvency Practice Rules (Corporations) 70-35

PROSPERO MARKETS PTY LTD (IN LIQUIDATION) **ACN 145 048 577** **("THE COMPANY")**

The purpose of the Initial Remuneration Notice is to provide you with information about how our remuneration for undertaking the Liquidation will be set.

A. REMUNERATION METHOD

There are four methods for calculation of remuneration that can be used to calculate the remuneration of an Insolvency Practitioner. They are:

- ▶ Time based / hourly rates or "Time Cost"

This is the most common method. It provides for remuneration to be charged at an hourly rate for each person working on the matter. The hourly rate charged will reflect the level of experience each person has.

- ▶ Fixed Fee

The total remuneration for the administration is quoted at the commencement of the appointment and is the total charge for the administration. Sometimes a practitioner will finalise an administration for a fixed fee.

- ▶ Percentage

The remuneration for the appointment is based on a percentage of a particular variable, such as the gross proceeds of asset realisations.

- ▶ Contingency

The total remuneration for the matter is structured to be contingent on a particular outcome being achieved.

B. METHOD CHOSEN

BRI Ferrier normally chooses to use a Time Cost basis, because:

- ▶ It is often difficult to estimate accurately the likely cost of undertaking an appointment, as appointments differ in unforeseeable ways as to their factual or legal complexity.
- ▶ The Time Cost method reflects the opportunity cost to BRI Ferrier of the use of staff on a particular engagement.
- ▶ The Time Cost method reflects the extent of work undertaken, reflecting in turn the nature of the appointment.
- ▶ The Time Cost method can be applied equally to all aspects of an appointment, while percentage or contingent remuneration normally only reflect parts of an appointment, such as the recovery

of assets. Our duties include activities, such as reporting to creditors and ASIC, that do not directly yield asset recovery, while contributing to the overall return to creditors.

Given the nature of this administration, we propose that our remuneration be calculated on the time based /hourly rates method. In our opinion, this is the fairest method for the following reasons:

- We will only be paid for work done, subject to sufficient realisations of the Company assets.
- It ensures creditors are only charged for work that is performed. Our time is recorded and charged in six-minute increments and staff are allocated to duties according to their relevant experience and qualifications.
- We are required to perform a number of tasks which do not relate to the realisation of assets, including responding to creditor enquiries, reporting to the ASIC, distributing funds in accordance with the provisions of the Corporations Act 2001.

We are unable to advise with certainty the total amount of fees necessary to complete all tasks required in this administration. BRI Ferrier reviews its hourly rates every twelve months. The hourly rates quoted below remain current until further notice. If hourly rates are increased, we will seek approval from creditors.

C. EXPLANATION OF HOURLY RATES

The rates applicable are set out in the table below together with a general guide to the qualifications and experience of staff engaged in the external administration and the role they undertake in the administration. The hourly rates charged encompass the total cost of providing professional services and are not comparable to an hourly wage rate.

Title	Description	Hourly Rates	Hourly Rates
		(ex GST) NSW	(ex GST) VIC
Appointee/Principal	A Liquidator and/or Registered Trustee. A senior accountant with over 10 years' experience who brings specialist skills and experience to the appointment. Leads the team carrying out the appointment.	\$730	\$650
Director	An accountant with more than 10 years' experience. May be a Registered Liquidator. Fully qualified and able to control all aspects of an appointment. May have specialist industry knowledge or skills. Assists with all facets of appointment.	\$640	\$570
Senior Manager	An accountant with more than 7 years' experience. Qualified and answerable to the Team Leader. Self-sufficient in completing and planning all aspects of large appointments.	\$590	\$530
Manager	An accountant with at least 6 years' experience. Typically qualified with well-developed technical and commercial skills. Controls and plans all aspects of medium to larger appointments, reporting to the Team Leader.	\$550	\$500
Supervisor	An accountant with more than 4 years' experience. Typically qualified with sound knowledge of insolvency principles and developing commercial skill. Assists to plan and control specific tasks on medium to larger appointments. Often undertaking post qualification study specialising in Insolvency and Reconstruction.	\$480	\$400
Senior 1	An accountant with more than 2 years' experience. Typically a graduate undertaking study leading to professional qualification as a Chartered Accountant or CPA. Able to complete work on appointments with limited supervision.	\$420	\$350
Senior 2	An accountant with less than 2 years' experience. Typically a graduate who has commenced study leading to professional qualifications. Able to complete many tasks on medium to large appointments under	\$380	\$300
Intermediate 1	An accountant with less than 2 years' experience. Typically a graduate and commencing study for qualifications. Able to complete multiple tasks on smaller to medium appointments under supervision.	\$330	\$250
Intermediate 2	An accountant with less than 1 year's experience. A trainee undertaking degree with an accountancy major. Assists in the appointment under supervision.	\$280	\$220
Senior Administration	Appropriately skilled and undertakes support activities including but not limited to treasury, word processing and other administrative, clerical and secretarial tasks.	\$240	\$200
Junior Administration	Appropriately skilled and undertakes support activities including but not limited to treasury, word processing and other administrative, clerical and secretarial tasks.	\$180	\$150

D. ESTIMATED REMUNERATION

We estimate that this administration may cost \$700K to \$900K (excl. GST, disbursements and legal costs, as necessary) to complete.

The above estimate is based on available information, which is incomplete. We note that there are a number of factors which may have a significant effect on this estimate and that we are unable to determine until we have progressed further in the liquidation:

- Information provided to us about the Company's assets, its liabilities and its trading performance is substantially accurate;
- All relevant officers comply with their statutory duties to provide information about the Company's affairs;
- All property of the Company is surrendered to us, without the need for recovery actions either domestically or offshore;

- The records of the Company are made available in a form permitting examination and investigation;
- No appointment is made by a secured creditor;
- The Court application for judicial directions on dealing with client trust funds is not protracted or objected to be parties;
- There is minimal dispute in respect of any priority and/or unsecured creditor claims;
- Clients and creditors submit necessary claim documentation promptly and in full;
- There is no contest or mixing issues as to the assets and liabilities as between the Company and associated businesses, including offshore entity Prospero Markets LLC;
- Our investigations determine that the Company remains solvent, and there are no voidable recoveries to pursue via legal proceedings or otherwise;
- The various regulatory bodies do not seek prosecutions of the Company or its officers, that requires our involvement;
- Statutory reporting requirements can be completed promptly, without dispute or objection;
- The distribution process can proceed promptly, via Link Market Services; and
- AFSA, AFP and/or ASIC does not require us to conduct work in respect of the shareholder interests, via the Proceeds of Crime Orders in place or made later.

This estimate is based on the information available to date. We will advise creditors of the updated cost position in future reports in this matter.

E. DISBURSEMENTS

Disbursements are divided into three types:

- Externally provided professional services - these are recovered at cost. An example of an externally provided service disbursement is legal fees.
- Externally provided non-professional costs such as travel, accommodation and search fees. These are recovered at cost.
- Internal disbursements such as photocopying, printing and postage. These disbursements, if charged to the Administration, would generally charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

We are not required to seek creditor approval for disbursements paid to third parties, but must account to creditors. However, we must be satisfied that these disbursements are appropriate, justified and reasonable.

We are required to obtain creditor's consent for the payment of internal disbursements. Creditors will be asked to approve the internal disbursements prior to these disbursements being paid from the administration.

Details of the basis of recovering disbursements in this administration are provided below.

Disbursement Type	Rate (excl. GST)
Externally provided professional services	At cost
Externally provided non-professional costs	At cost
Internal disbursements	
ASIC Charges for appointments and notifiable events	At cost
Faxes and Photocopying	\$0.25 per page
Postage	At cost
Staff vehicle use	In accordance with ATO mileage allowance

Dated this 8th day of May 2024.