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Omnia Limited
(in liquidation)

Liquidator's Progress Report

5 June 2020

Progress Report pursuant to S406 of the Companies Act 2014

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1. Brief History

1.1 Liquidator's appointment

I, Edgar Lavarello of PricewaterhouseCoopers, 327 Main Street Gibraltar was appointed Liquidator of Omnia Limited ("Omnia" or the "Company") on 6 June 2019 pursuant to section 146 of the Insolvency Act ("the Act"). I was appointed on grounds of insolvency as Omnia was unable to pay its creditors as and when they fell due and its total liabilities exceeded its total assets.

My appointment was advertised, together with an invitation for all creditors to send their claims to the Liquidator. The first creditors meeting was held on 27 June 2019 at which a Creditors Committee was elected.

The Creditors Committee members are:

- Darren Matadeen
- Avinash Nagamah
- Jeff Mack

And the Committee has met three times on 27 August 2019, 2 December 2019 and 21 July 2020.

We explain below in further detail those issues that we and the Committee have had to consider.

1.2 Statutory information

Omnia was incorporated on 17 August 2017 with incorporation number 116128. Its sole Director is Milan Sormaz, and the company secretaries are Lewbel Secretaries Limited. Omnia's registered office was at Suite 7 Hadfield House, Library Street, Gibraltar but since my appointment is now at the office of PricewaterhouseCoopers Limited, 327 Main Street, Gibraltar.

It is a private company limited by shares with an authorised share capital of 2,000 ordinary shares of £1 each, all of which have been issued. The sole shareholder is Omniscient Limited ("Omniscient"), a company incorporated in Cyprus.

2. Financial information

2.1 Assets and liabilities as at 6 June 2019

The Statement of Affairs showed that Omnia held cash in the sum of €254,735 and had unsecured debtors in the amount of €3,072,050 but that those debtors were not capable of being realised. There was crypto mining equipment which was outdated and eventually sold for €350,000.

In terms of liabilities, I was advised that the deficiency for creditors in respect of mining and commissions was €4,324,255 and a further amount of other creditors of €288,379 which meant that the Company was insolvent.

I received a list of trade creditors known to the Director of Omnia and notified them of the liquidation by email. Furthermore, I advertised my appointment in both the Gibraltar Gazette and the local press, and in order to ensure that as many creditors were aware of the position I posted a notice on the Omnia website www.omniatek.com which now directs claimants to our own website <https://www.pwc.gi/services/Omnia.html>.

My team have conducted internet searches and have noticed that some forums refer to the liquidation of Omnia and my appointment.

We have processed in excess of 5,000 emails and at the date of signing this report, we have over 5,000 still to process. Given this volume of claims we have received I am satisfied that I have taken reasonable steps to notify potential creditors.

Because of the financial difficulties that the Company was suffering late in 2018 and early 2019, payments to Gara Group (the back office service provider and keeper of client balances) were withheld and therefore Gara Group ceased providing services some time in early 2019. We have contacted Gara Group and identified that the balance due to them was US\$64,027.58 an amount that they were insisting should be paid to them before releasing the books and records to us. After discussing the situation with the Creditors Committee members, we agreed a reduced payment to Gara Group of US\$18,240 and in return we have received the accounting data for Omnia listing client receipts, payments and balances.

A summary of the information provided shows that there may be up to 27,367 creditors who are owed a total of US\$19,954,426. If these figures are correct, the net liability position reported on 6 June 2019 has been woefully underestimated. We are currently analysing the data and speaking to Gara Group as there are some anomalies which need to be examined further.

We therefore believe that as at 6 June 2019 the company was insolvent by more than US\$19 million.

2. Financial information

2.2 Recovery of assets

The following sections detail my work and progress on the recovery of assets of the Company.

Non-current assets

The Company had purchased mining equipment with a total cost of €15,785,714. This equipment was held over four sites:

- Sweden - equipment with a purchase cost of €6,842,857 was recorded at a written down value of €821,143 and eventually sold for €350,000;
- Armenia - equipment with a purchase cost of €5,523,214 was recorded at a written down value of zero. We understand that this equipment was confiscated and no possible recoveries have been made.
- Genesis - equipment with a purchase cost of €2,571,429 was recorded at a written down value of zero. We understand that this equipment was confiscated and no possible recoveries have been made. However we have also received unconfirmed reports that this equipment never existed.
- Wirtl Dash Miner - equipment with a purchase cost of €848,214 was recorded at a written down value of zero. We have been unable to identify what happened to this equipment.

The total cash received for the non-current assets was £322,560.

Cash, cash equivalents and crypto assets

There were small amounts of funds held in several accounts. These were held in Euros, BTC, ETH, XRP and XLM. The total amount transferred to our liquidation account was £94,271.61.

2. Financial information

2.2 Recovery of assets - continued

Other debtors

Valdo Stanic

Vlado Stanic was the Omnia hosting company in Sweden. Omnia paid the setup fee for the entire site in advance even though the Company never used more than half of the site. Omnia had agreed with Vlado Stanic that they would fund the building of the entire site as Vlado Stanic lacked equity to build. We were informed that the site had the capacity of operating up to 4,500 miners and there was a plan to transfer the 3,000 miners from Armenia over there.

Vlado Stanic has refused to return the BTC owed. We have threatened legal action against him but he has informed us that he is now in Dubai where he has declared himself bankrupt and therefore the chances of recovery are zero.

Coreval

Omnia contracted with Coreval (a company incorporated in the Dominican Republic) for Coreval to supply Omnia with prepaid cryptocurrency debit cards issued by Mastercard. These prepaid cards were to be provided to Omnia customers so that they could load cryptocurrency and withdraw/pay using Fiat. The debit cards were to be issued with their own branding (“bitify”) and were to be provided to all of Omnia’s IBOs. Omnia paid a total of US\$225,000 in Bitcoin (US\$75,000 were paid on 8 January 2018 and a further US\$150,000 on 1 March 2018).

Coreval was due to deliver the cards in March 2018 but failed to do so. Omnia's lawyers in Cyprus wrote to Coreval but no reply was received. The lawyers then wrote to Madison Insurance Group Inc (who we understand is Coreval’s white label provider). We were informed that the Mastercard program was managed by Madison Insurance Group Inc and issued by North International Bank Ltd. In August 2019, a director of Coreval contacted PwC informing us that they had no connection with Madison Insurance Group Inc nor with North International Bank Ltd. Furthermore Coreval had never received any BTC from Omnia and that Dominican companies cannot accept cryptocurrency.

We traced the payment of the BTC and believe that they were sent to wallet 33bHkJXbv6vtUtFqxZhkn5d3i8jB9euwza which we believe could be the personal wallet of either Josh Hawley or Anthony Simmons, directors of Coreval. We have spoken to the Cyprus lawyers regarding Coreval and the problems we have uncovered with the BTC having been sent to the personal wallets of either Josh Hawley or Anthony Simmons. As Coreval is a Dominican Republic registered company there are issues with any possible enforcement of any order we may obtain. The Cyprus Lawyers have informed us that they are considering filing a report with Interpol. The high cost and low prospects of success means there is little chance of us recovering funds from Coreval.

2. Financial information

2.2 Recovery of assets - continued

FXB

Omnia signed an agreement with Fazco on 30 January 2019 for the investment of cryptocurrency whereby Fazco/FXB would retain 30% of profits. In the period from 18 February 2019 to 16 March 2019 Omnia had sent to FXB a total of 8.94 BTC (in four separate payments) using the BTC Blocktrail Wallet BTC.com.

FXB claims that the deal with Omnia obliged them to invest up to €1 million and because Omnia never delivered, FXB agreed to only refund the initial investment of approx €30,333 plus some interest. We have made several reports to Financial Services Regulators and Police Authorities in the UK, Hong Kong, St.Vincent and Gibraltar with no favourable response from any of them.

On the suggestion of the Creditors Committee we agreed with FXB to the recovery of €30,333, however on 6 November 2019 FXB withdrew their offer and we have to date recovered nothing. We have considered commencing proceedings in the UK against FXB but this will cost us more than what we can recover. Furthermore, since FXB is a company incorporated in St.Vincent, there are complex jurisdiction issues.

Turkish Trader

A total of 55 BTC were transferred to Turkish Trader with a value of €428,450. We have little information about the recovery of this debt. We have chased the director and shareholders for further information but have received no reply. We are continuing to chase this, but are not confident about the chances of recovery.

Multigroup

Omnia entered into a contract with Multigroup to pay €5 million for mining space. We understand that only €1.5m was paid and that €3.5 million is outstanding. Multigroup has refused to return any of the funds. We requested the legal files and correspondence from the Omnia lawyers on 14 August 2019 but the lawyers will not release their files without the prior payment of their outstanding invoice. We have brought this matter up to the Creditors Committee for their comment and approval and it has been decided that we should not pay the invoice.

On 11 September 2019 we wrote to Dutyfly but have received no reply. We understand that Multigroup has confiscated the ETH. We are also informed that Dutyfly and Tigran were operating as Cleversniper. We have asked the directors to send us the wallet address and one of the committee members has agreed to search where the ETH has gone or if it is still there.

2. Financial information

2.2 Recovery of assets - continued

Momentum

On 7 March 2019 three BTC were sent to wallet 38yVVuJWAMnyEkdhqnf1wHMF6cppo9hbXs. On 16 March 2019 a further three BTC were sent to wallet 3JsC97KkNzBabJvqLVU5BxUgfsXEKTMc2K. We have been informed that Momentum is refusing to return the BTC. On 5 November 2019 we contacted Markus from Preston Brant who was the consultant acting in the Momentum and Omnia deal. He confirmed that Momentum is refusing to return the BTC to all customers and several complaints about Momentum have now been filed together with a report to the Cyprus Police. Because Cyprus does not recognize Cryptocurrency as a legal tender it is unlikely that any of these complaints will be followed up by their Financial Services Regulator.

Masternode

The director informed us that Omnia should have received 100 BTC from Coinloft but that in actual fact only 50 BTC were received under the contract which was due to expire in March 2020. We contacted Coinloft on 9 August 2019 in order to obtain the USB and passwords. We were informed that the CEO of Coinloft is a gentleman by the name of Hannibal and we understand that this is the same company as Blockfusion. After contacting Hannibal, he told us that he did not represent Coinloft but Webloft. The members of the Creditors Committee also believed that the masternode may contain 40 to 50 BTC.

The USBs contain data files that require specific software to open, we have been informed that these are the masternodes of these specific cryptocurrencies, which can then be used to participate as fully validating nodes on their respective blockchains. On assessing the masternode we have found that there are no BTC, furthermore the altcoins that were listed on the USB, to which the masternodes relate, are crypto assets that are not actively traded on any exchange, their global volumes (as produced by CoinMarketCap are nil to minimal) and their price has plummeted. As a result, we have determined that the altcoins are worthless and any effort and cost to recover those coins would outweigh the value of assets recovered, if any. We have provided the details to the members of the Creditors Committee so that they may ascertain if we can realise any value from this data..

Summary

Total recoveries made amount to £416,196.61 which is insufficient to repay all of the creditors and the Company is hopelessly insolvent.

2. Financial information

2.3 Receipts and payments

A summary of the receipts and payments for the year to 5 June 2020 is provided below:

Receipts in the year	£	Payments in the year	£
Sale of mining equipment	322,560.00	Liquidators fees and expenses	(44,991.00)
Bank and crypto accounts	94,271.61	Legal fees and expenses	(3,323.50)
		Payment to Gara Group	(14,320.98)
		Bank charges and interest	(197.51)
Total receipts	416,831.61	Total payments	(62,832.99)
Net assets of the liquidation at 5 June 2020	353,998.62		

3. Outcome for creditors

3.1 Secured creditors

The Company has no secured creditors.

3.2 Preferential creditors

The Company has no preferential creditors.

3.3 Unsecured creditors

We have yet to establish the full value of all creditor claims but according to the information provided to us by the Gara Group there may be up to 27,367 creditors who are owed a total of US\$19,954,426.

From the analysis conducted by PwC, the Omnia participants fell into two different groups and the issues affecting each group are very different:

- Mining - those participants who made payments to Omnia to partake in the returns generated by the mining activities would seem to be taking on the role of investors. It would seem that the sale of mining “units” was akin to an investment in a collective investment scheme where the Omnia membership gave each member a profit participation in the profits or losses generated from the mining activity. It would seem that Omnia may have been operating an unregulated fund which under Gibraltar law should have been authorised by the Gibraltar Financial Services Commission (“FSC”). This was a scheme in which members pooled resources to share in future profits and obtain a financial return.

We believe that members investing in mining activities should be classified as investors.

- Trading - those participants who operated a trading account through Omnia believed that their money / crypto currency was ring fenced and that what they were operating was their own personal trading account. They would have believed that these trading accounts were operated as if they were a bank account or an investment account managed by an investment manager.

We believe that members with funds in the trading account should be classified as creditors.

3. Outcome for creditors

3.3 Unsecured creditors - continued

Having analysed the information provided by Gara Group, we are unable to identify which Omnia participants engaged in mining and which ones engaged in trading operations. By treating the mining investors as creditors other ordinary creditors are not prejudiced as the other ordinary creditors are made up of:

- Directors and shareholders who have contributed significantly to the collapse of the operations and whose claims we intend to reject.
- Gara Group to whom a payment has already been made and in return whose claim has been withdrawn;
- Other ordinary creditors who have not filed a proof of debt.

We intend to seek Court directions to ensure that all of the Omnia participants are treated as creditors.

According to the information available to us, with almost US\$20 million of creditors and an estimate that there will be only US\$200,000 of assets available for distribution means that any recovery for unsecured creditors will be in the region of 1p in the pound. This makes it uneconomical to make payments or distributions to Omnia members that have a very small claim and accordingly we will also be seeking the Court's approval that all claims below a de minimis claim value should be disregarded.

4. Further enquiries

4.1 Matters relating to the insolvency of the Company

One of my duties is to look at the actions of anybody who has been a director or shadow director of the Company in the period before my appointment and to decide whether any action should be taken against anyone to recover or contribute to the Company's assets.

If you think that there is something that I should know about please write to us by email to gi_insolvency.omnia@pwc.com any information received will be treated in strictest confidence.

Please note that I will not be able to publish my findings and work in this area but any report will be sent in strict confidence to the Official Receiver in Gibraltar.

4.2 Future communications

Any future communications will be posted on our website at <https://www.pwc.gi/services/Omnia.html>

Yours faithfully



Edgar Lavarello
Liquidator

Edgar Lavarello of PriceWaterhouseCoopers Limited, Gibraltar has been appointed Liquidator to manage the affairs and property of Omnia Limited (the "Company"). The Liquidator acts as agent of the Company only and without personal liability. Edgar Lavarello is authorised to act as an insolvency practitioner by the Gibraltar Financial Services Commission (IP Licence Number FSC0892FSA).

The Liquidator may act as Data Controller of personal data as defined by the Data Protection Act, depending upon the specific processing activities undertaken. PwC may act as a data processor on the instructions of the Liquidator. Personal data will be kept secure and processed only for matters relating to the Liquidator's appointment.

Registered office: c/o PricewaterhouseCoopers Limited, 327 Main Street, Gibraltar.

For further information on the liquidation of Omnia please go to <https://www.pwc.gi/services/Omnia.html>