

UPDATE TO INVESTORS AND CREDITORS – 30 JANUARY 2019

Halifax Investment Services Pty Limited (Administrators Appointed) (Halifax)

Halifax NZ Limited (In Administration) (Halifax NZ)

Progress made since the first meeting of creditors

We are well progressed with our analysis of the flow of funds in both the Halifax and Halifax NZ account structure which gives us a better understanding of the cause of the deficiency in client funds. Our initial investigations indicate that the deficiency has accumulated over at least the last 24 months.

We have also been considering strategies for the return of investor funds in a timely manner, being the proposal of a Deed of Company Arrangement (**DOCA**) or placing Halifax into liquidation.

Estimated deficiency

As at 23 November 2018, investor account balances totalled approximately A\$211 million. We estimate that there is a deficiency in the assets on hand to support these balances of approximately A\$15 million to A\$25 million.

The reason for the range is that a proportion of investor positions remain open and therefore the estimate of the deficiency will continue to move until such time as it is crystallised (i.e positions are closed).

Factors impacting the final shortfall include the following:

- Unrealised profit or loss position in relation to open trades;
- Currency fluctuations; and
- Ongoing market fluctuations.

The above is an estimate only and may be subject to revision as our investigation progresses.

Reconciliation of client funds

We have prepared an initial analysis of the funds flow process on the MT4, MT5 and IB platforms. While the IB platform may be 'whole' in that it is fully funded, investor funds have been mixed or comingled in such a way that the taint affects the claims of all investors on all three platforms in both the Australian and New Zealand businesses.

The process of allocating and tracing individual investor funds will likely be a complex and lengthy process.

Outcome of funding application

On 24 January 2019, an application was heard before the Court in relation to the release of an A\$1.6 million term deposit held by Halifax to meet the costs of maintaining Halifax's investor platforms, as well as any further and reasonable trading expenses incurred by Halifax.

The term deposit was held in place to cover Halifax's capital requirements imposed by ASIC. Given Halifax's Australian Financial Services Licence has been suspended, we consider these funds should be available to meet ongoing trading and administration costs.

Given the extent of the co-mingling of investor and company funds, we believed that it would be prudent to seek the Court's determination on these funds to ratify that they may be used to meet various trading expenses

including payment of platform costs, suppliers, rent and wages. Please note that the Order does not extend to payment of legal fees or payment of the remuneration of the Administrators.

A copy of the sealed order has been posted to the Ferrier Hodgson website at the following link:

<https://www.ferrierhodgson.com/au/-/media/ferrier/files/documents/corp-recovery-matters/halifax-investment-services/federal-court-of-australia-orders-regarding-outcome-of-funding-application.pdf>

Next steps

Investors and creditors will be issued with the Administrators' Report prior to the second meeting of creditors which will contain information in relation to our investigations, together with a recommendation as to whether creditors and investors should resolve that Halifax and Halifax NZ be placed into liquidation or whether a DOCA should be executed.

We are currently investigating the possibility of a DOCA proposal with the intention of shortening the timeframe for the distribution of funds whilst preserving potential antecedent claims.

We are also attempting to resolve whether there are pre-appointment insurance policies which may be accessed by investors.

We anticipate that our detailed report will be issued in mid to late February 2019. It will include details on the time and location of the second meeting of creditors.

Questions

Please contact Link Market Services on 1300 910 051 (Australia) or 0800 729 276 (New Zealand) should you have any further questions.