

MTI ESTATE

Mirror Trading International (Pty) Ltd (In Liquidation)
Master's ref C906/2020

Liquidators:

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CIRCULAR TO CREDITORS

<p>IN RE: MIRROR TRADING INTERNATIONAL (PTY) LTD t/a MTI (IN LIQUIDATION) ("MTI")</p> <p>REGISTRATION NUMBER: 2019/205570/07</p> <p>MASTER REFERENCE NO: C000906/2020</p>

The liquidators report as set out below on certain general topics that are still frequently raised on various forums (and in the press) concerning administration issues in the estate.

We will endeavour to also answer pertinent questions raised at the second meeting of creditors (*"the second meeting"*).

1. We shall start with the **second meeting**.
 - 1.1. As the meeting started, it was clear that the Master had already studied all the documents and claims and prepared for the meeting, and he immediately took control of the meeting and recorded his views concerning the claims lodged.
 - 1.2 Unfounded allegations were levelled against the liquidators. As this meeting was not the correct forum to respond to all those issues, Mr Tintinger, on our behalf responded in general terms, but also made it clear that the liquidators will answer any queries that may be raised by legitimate creditors and have an open-door policy in that regard.
 - 1.3 Mr Tintinger emphasized during the meeting that the liquidators are wary to communicate with groups of creditors or people professing to present groups of people, where there are conflicting interests, in other words where there are winners and losers in the same group.

1.4 For example, **Advocate Hendrik van Staden** made some general statements, but he did not disclose to the Master that three letters to his attorneys were simply left unanswered in so far as pertinent queries were raised concerning who he and his attorneys represent and whether the attorneys have mandates from individual creditors. Conspicuously, these issues remain unanswered to date hereof. For the benefit of all creditors, the letters are attached hereto. The very first letter clearly set out the duties of attorneys and advocates and the views of the Supreme Court of Appeal concerning representatives acting for groups with members having conflicting interests.

1.5 The very purpose of this query was that the liquidators wanted to ensure that the interest of actual creditors of MTI are looked after and not being influenced or dictated by group leaders, who might not have the same interests.

1.6 Groups and conflicting interest:

1.6.1 If a creditor is part of a **group**, the liquidators still implore on creditors to, within the group, establish that all participants have the same interests and fully declare their status as creditors. They should challenge their legal representatives to also do so, since this is the very least they can do and their legal representatives are obliged to disclose same to them, even without a request.

1.6.2 Another participant at the meeting, Mr Chris Kriel claimed to represent 12,000 investors, but he has not provided the liquidators with any authority to speak on behalf of this unknown group and, again, the liquidators are to guess who he represents. Mr Kriel was equally placed on terms by the liquidators to explain how he came into possession of sensitive privileged communications between the liquidators and their attorneys and placed on terms to remove such communications from his website. The written demand is attached and was not responded to at all. It was recorded in the demand, that Mr Kriel is undermining the liquidators in the execution of their duties. We may add that one of the liquidators, Mr Bester, has in the meantime communicated with Mr Kriel, who promised that he will provide the liquidators with verified data concerning the creditors within his group, which the liquidators would welcome, and Mr Bester will remain in contact with Mr Kriel on this issue.

1.6.3 At the second meeting Mr Tintinger made it clear that the proceedings are recorded and the transcription of the recording of the meeting will be uploaded to this website as soon as it is available. As is clear from the proceedings, Mr Tintinger explained to the Master that the liquidators have taken extensive advice on the format of creditors' claims in MTI and were advised that it would be prudent for them to approach the High Court for directions on how to advise creditors to frame their claims. That application is being finalized at the moment. Mr Tintinger explained that the formulation of claims is not easy since one is dealing with a Ponzi scheme and different permutations may apply than for simple contractual claims.

- 1.6.4 After the second meeting, a wrong perception was created that the liquidators are rejecting all claims of creditors. This is simply false and again misinformation being spread to discourage actual creditors to prove their claims. The liquidators keep on encouraging investors to lodge their claims with the estate and again herewith affirm that all claims will be scrutinized and accepted in the estate according to the directions obtained in terms of the mentioned High Court application. Creditors who have already lodged their claims will not have to lodge their claims again: the liquidators will work on the claims already lodged and, if satisfied, accept the claims in accordance with the court order. If the liquidators require clarification on certain claims, a creditor will be engaged to first supply it in order to attempt to settle the amount of the claim, whereafter the claim will be proved on the basis of the settlement. If a settlement cannot be reached, an investor is entitled to re-lodge his claim, if so advised, to tender same for prove at a special meeting of creditors, or to take legal action in order to enforce the claim.
 - 1.6.5 The resolutions adopted at the second meeting provide for a very comprehensive process which will expedite this process. (see resolution 13a to f). The adopted resolutions will be uploaded to the website shortly.
 - 1.6.6 On present projections, a sizable dividend will be paid to creditors, although a claim of the South African Revenue Services (“SARS”) has not yet been received.
2. It is not the liquidators who reject claims. The Master presiding at the meeting of creditors does so. The record will show that the liquidators had no say at the second meeting of creditors on any of the claims.
 3. The following questions were raised at the second meeting either by the participants or by text messages on the screen during the meeting. We answer as follows:
 - 3.1. What has happened to the **8000 bitcoins** found by the liquidators?
 - 3.1.1. The reference to 8000btc was based on preliminary observations by the digital forensic experts, identified “viable wallets”, i.e wallets in which bitcoin, inter alia derived from MTI, were received.
 - 3.1.2. After extensive further investigations, the liquidators concluded that they do not have a legal basis to claim ownership or the value of the relevant bitcoin.
 - 3.2. If the liquidators have done nothing in the past year, we can assume they will not be drawing any fees from the members?
 - 3.2.1 The report that the liquidators have done nothing is an unfounded and cynical remark, made by some to place the liquidators in a bad light. The truth is that the liquidators have worked literally daily and non-stop on the administration of this estate.

- 3.2.2 This included High Court applications to have the powers of the liquidators extended, intensive insolvency enquiries, a very complicated High Court application to declare MTI an unlawful scheme, and an intensive process to verify the databases and back office of MTI in light of the false rumours that the back office was compromised (dealt with below). In between the liquidators also had to attend to high court applications of the winners to stop the enquiry based on false reports that MTI is not insolvent.
- 3.2.3 Despite all this work, the liquidators were not remunerated one cent yet. The liquidators' remuneration is determined in liquidation and distribution accounts and only paid out once these accounts are confirmed.

3.3 What about the investors who lost their livelihoods?

- 3.3.1 As with any unlawful scheme, the consequences of a collapse on the losers remain devastating. Coupled with that is the frustration of not getting money back quickly. The liquidators are not insensitive to these issues and are trying to, as quickly as possible, ensure a first distribution to investors.
- 3.3.2 Unfortunately, these attempts are delayed by the winners in the scheme, opposing relief sought by the liquidators aimed at expediting the liquidation process. This obstructionism includes false reports about the actions of the liquidators.
- 3.3.3 We have also experienced a great measure of non-cooperation from the witnesses, who were already called to insolvency enquiries, particularly the winners who failed to prepare for the enquiries and rather approach the enquiries on the basis of seeing what the liquidators have before volunteering information.

3.4 Where can enquiries be directed to?

- 3.4.1 Investors must understand that the administration in this estate is, as the Master has pointed out, particularly tedious and time consuming. More than 6 000 claims already received, are being processed.
- 3.4.2 To try and assist the liquidators in the speedy administration of the estate, we suggest that investors' questions be posted on our website (we will ask our developers to allow for such function), so that we can generically categorize those questions and answer them as soon as practically possible. We have seen that many questions are the same and this will facilitate easier answering. Investors can always go back to see if a question has not been answered before. This way, a duplication will be avoided, and it will not be necessary for our attorneys (at cost to the estate), to deal with each query individually.
- 3.4.3 These questions can also be addressed to the general MTI helpdesk at MTIclaims@investrust.co.za or [claims support whatsapp number +27 846353871](https://www.whatsapp.com/business/profile/846353871), and they will be answered similarly.
- 3.4.4 There is currently a LIVE CHAT option on the mticlaims.co.za website where one of the support staff will, within office hours, help people to authenticate and gain access to their back-office data. This has been available since December 2021 and is actively being used by hundreds of members. Over 1500 members gained access and lodged claims. 1619 investors have already submitted claims on this website and 8350 investors have already reset their passwords and gained access to the data.

3.5 What is happening with Steynberg?

- 3.5.1 Steynberg's arrest is a very positive development and the liquidators hope that he is extradited and brought to justice as soon as possible.

- 3.5.2 The liquidators had a very positive high-level meeting with the investigating and prosecuting authorities last week in Cape Town and have received assurances that international processes are on-going.
 - 3.5.3 The liquidators will fully support these processes and assist where they can and we have tendered our full co-operation including, where needed, the assistance of our forensic experts. So as not to compromise these processes, we cannot say more about the process now, but rest assured that no stone will be left unturned in this regard.
 - 3.5.4 Steynberg's absence from the Republic does not impact on the ability of the liquidators to do their work and no processes are stayed pending his return.
- 4 In addition to the questions raised at the second meeting, we also frequently encounter the following enquiries and respond as follows:

4.1 MTI is not insolvent: -

- 4.1.1 This is not correct. It is opportunistic rhetoric, frequently used by the winners who want to avoid the consequences of recovery processes against them, at all costs.
- 4.1.2 Before an opinion is expressed by any lay investor on insolvency or not, we strongly urge the investors to establish the correct facts for themselves, not with reference to rumours, but the forensic data available.
- 4.1.3 For example,
 - 4.1.3.1 You may not know this, but after the FSCA had moved in on MTI during July 2020 and circulated a cautionary notice, Steynberg and his cohorts, fraudulently represented to investors and the FSCA that the Bitcoin of MTI was moved to a new trader platform, known as Trade 300.
 - 4.1.3.2 Trade 300 was a sham created by Steynberg.
 - 4.1.3.3 Despite the sham, Ulrich Roux, the attorney for MTI at the time, confirmed in a letter in October 2020 that 16 444 bitcoin were transferred in four tranches over the period from 21 July 2020 to 24 July 2020 to Trade 300. What was reported by the management of MTI to Attorney Roux (which he then disseminated to the public) was a lie and a fraud on investors and the FSCA.
 - 4.1.3.4 Ask yourself this question: if there were 16 000 bitcoin to be moved, i.e. the then alleged available bitcoin balance and it was not moved, what has happened to it? If this is not in itself proof of insolvency, investors should question the motives of the people denying this.
 - 4.1.3.5 Moreover, our forensic team has established, with information presently at their disposal, that the difference between bitcoin deposited and withdrawn, was at least 10800 bitcoin.
 - 4.1.3.6 MTI, according to its own records, represented to investors that it still had 18 700 bitcoin in its wallets as at 17 October 2020.
 - 4.1.3.7 According to MTI's records, the number of bitcoin which was supposed to be in MTI in December 2020, when it imploded, was approximately 22 000.
 - 4.1.3.8 The liquidators have only been able to recover 1282 bitcoin to date. This was not due to the making of Steynberg and his

cohorts, but simply due to the fortuitousness of FX Choice blocking the wallet in which these coins were held. All other bitcoin were either stolen, or paid to investors who withdrew bitcoin at an earlier stage.

4.1.3.9 Perhaps an easier way to dispel any notion of MTI being solvent, is to ask oneself the following:

- if MTI never traded with constant profit (which it never did), how could it pay referral commissions (allegedly funded by trading), and the various tier bonuses (allegedly funded by trading) and founder bonuses? The answer is simple – for so long as it lied to the public, it took in coins from new investors to pay the ever-increasing liabilities arising from the false promises to earlier investors.

4.1.3.10 Many rumours were spread and still prevail, about profitable trading. Any investor is invited to, with reference to objective facts, prove any consistent **profitable** trading (even for a short period) to the liquidators. It never existed and what was represented to investors, was always a simulated sham. The only known traders, who did trades for MTI, can confirm this. There was for limited periods, and in small amounts of coins, some trading at FX Choice, but always at a loss.

4.1.3.11 A common misconception which is bandied around, is that because the aggregate of the existing claims lodged with the liquidators is less than the funds held by the liquidators, MTI is not insolvent. This is wrong: claims are accumulating daily, and we are very close to a point where the value of claims lodged will exceed the value of the available funds.. This excludes a R50 million (initially communicated by the FSCA to be R100 million) fine the FSCA contends it is entitled to impose on MTI, as an additional liability and a possible outstanding claim of SARS cannot be excluded either. Prudent lawyers will advise you that the determination of insolvency involves all liabilities of MTI, including current, contingent, prospective and unliquidated claims and not only claims which have already been lodged or proved.

4.2 The back office is reliable: -

4.2.1 Some antagonists of the liquidators contend that the back office is not reliable or accessible. Both these contentions are wrong.

4.2.2 The MTI back office has been available** on this website since beginning of December 2021.

** In two forms. One only showing funds in/out to assist in formulating claims and the second access being to a complete version of the data as it was on the last day of trade and showing ALL user data.

4.2.3 Investors who cannot access the back office, have probably entered their log in credentials incorrectly. A process has been designed to breach this gap by resetting a password. This is explained on the website.

- 4.2.4 There was never a hacking of the back office. There was simply a scraping of data, which means that unauthorized access was obtained, and data was extracted, but the back office was never hacked. Also, this never affected the bitcoin wallets.
- 4.2.5 Our ongoing interrogation reveals that the back-office data is still very accurate and only questioned by witnesses who try to avoid a full disclosure to liquidators, without success, since the liquidators are also receiving co-operation from various exchanges hosting the bitcoin wallets from which bitcoin were transferred in and out of MTI.

4.3 Was Steynberg acting alone?

- 4.3.1 No.
- 4.3.2 His focus was on the bot simulation pretending trades every day. In addition, he attended to the bitcoin movements. Rather than evidencing live trades, the scheme hid behind shrouds of mystery of a “bot” capable of impossible yields and months of no-lose trades. However, the scheme had to be marketed by someone.
- 4.3.3 Cheri Marks and Clynton Marks and close family (all previously involved in spectacularly failed schemes, including BTC Global) ran the MTI machine and proclaimed, as a fact, the daily positive trades and actively discouraged members of the scheme from heeding the sound and transparent advice and cautions offered by the regulator, the FSCA and various other very public critics.
- 4.3.4 Clynton Marks shared profits with Steynberg weekly. There were never any significant profits from successful trading and definitely not to the extreme and ludicrous levels claimed by MTI, its board and promoters.
- 4.3.5 Losers should not be fooled into the idea that it is simply a scheme that collapsed due to bad trading. It never was. It was a scheme ran by top tier investors and promoters to milk bitcoin from later investors and the lower tiers daily.
- 4.3.6 Within this scheme, the top winners designed their own little schemes, by, ironically also defrauding MTI in the process. Ghost accounts were created around every turn, and bitcoin were expatriated from MTI, and the same coins were repatriated into MTI, simply to generate continuous referral commissions, which were supposedly to have been funded by the alleged trading pool. We have found that the same coins were used to “fence-hop” to create a growth with the same coin of more than 40% in a month, which the losers had to fund.
- 4.3.7 All the participants who abused the compensation provisions of MTI, are quasi-accomplices and will be exposed. Losers have the right to know who benefitted unlawfully from the scheme, at their expenses. As the legal process against the individuals develop, particulars will be made available to the creditors of MTI.

The effect of declaring the MTI business model an unlawful scheme

- 4.4 There appears to exist a misconception that if the High Court declares MTI an unlawful scheme, it will change the rights of the liquidators to claim back ill-gotten gains from winners and the right of loser investors, to prove a claim for the lost capital portion of their investments. This perception is not correct. The available evidence is overwhelming and uncontroverted: MTI was a

massive fraudulent scam and this will remain the position, irrespective of whether the High Court is prepared to grant the declaratory order, as applied for by the liquidators in the application to be heard on 2 March 2022.

- 4.5 If the court were not prepared to grant the order at this stage, it simply means that the liquidators will have the additional burden to produce all the evidence that the scheme is unlawful, in each case that instituted for the recovery of ill-gotten gains.
- 4.6 In other words, it does not automatically follow that, if the High Court were not prepared to declare the scheme unlawful at this stage, MTI is then considered to be a lawful scheme. It will simply have the effect that the liquidators will have to prove the unlawfulness each time that they rely on that fact in a recovery process.
- 4.7 The most important reason why the liquidators launched the application to declare the scheme unlawful, was to prevent precisely the abovementioned situation, where the legal costs will be substantially higher, considering the voluminous nature of the available evidence proving the unlawfulness of the scheme.
- 4.8 There should be no doubt that it is in the best interest of the net loser investors, if the court declares the scheme unlawful. That will enable the liquidators to swiftly and with substantially less legal costs, recover the ill-gotten gains from net winner investors. Adv Hendrik van Staden is on record to convey to his clients that having the scheme declared unlawful, will have the effect that all investors lose their claims against MTI and that the assets of MTI, can then be forfeited to the State. This statement is completely wrong and disingenuous. The legal position in these circumstances is trite. Once a liquidation application is in place, the liquidation process trumps the asset forfeiture process. It is irresponsible and shockingly inaccurate statements like this, that cause investors to unfairly question the motives and integrity of the liquidators.

Yours faithfully



o.b.o all Liquidators
AW Van Rooyen
Investrust