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Province of Nova Scotia  
Division No. 02- Truro-Pictou  
Court No. 45797  
Estate No. 51-3082823

**IN THE MATTER OF THE BANKRUPTCY OF**  
**PEERPLAYS BLOCKCHAIN STANDARDS ASSOCIATION**  
**TRUSTEE'S PRELIMINARY REPORT**

**PURPOSE AND DISCLAIMER**

The purpose of this report is to inform all interested parties about the Trustee's preliminary administration and findings of the bankrupt estate. Readers are cautioned that the Trustee has relied upon third parties for information in the preparation of this report and that such information may be incomplete and inaccurate. The Trustee's review of this information as part of the preparation of this report does not constitute an audit, nor has the Trustee extensively verified any of the information provided, unless otherwise noted. Therefore, the contents of this report should be considered "for general information purposes only".

**BACKGROUND AND CAUSES OF INSOLVENCY**

Peerplays Blockchain Standards Association ("PBSA" or the "Association"), founded on December 27, 2016, is a non-profit organization registered under Canada's *Not-for-profit Corporations Act* that specialized in standards for the blockchain industry. PBSA's head office was located in a decommissioned nuclear bunker in Debert, Nova Scotia.

The purpose of PBSA was to promote provably fair gaming standards for the Peerplays' blockchain in Canada and internationally by:

- i. Encouraging and supporting the development of the Peerplays' blockchain and related infrastructure for the benefit of the Peerplays' blockchain;
- ii. Conducting or supporting research pertaining to the Peerplays' blockchain and related infrastructure for the benefit of the Peerplays' blockchain;
- iii. Advancing and supporting awareness and education about the Peerplays' blockchain ecosystem, including within the gaming industry and the general public;
- iv. Engaging in or supporting advocacy of the Peerplays' blockchain with relevant industry bodies; and,
- v. Engaging in, funding and/or providing assistance with other activities that support the Peerplays' blockchain.

PBSA also developed standards for gaming and was an active advocate and educator for these standards across a broad range of industries and communities. PBSA had a team of software engineers, blockchain strategists, and communications professionals that were involved in various blockchain projects.

PBSA ran out of funding and ceased to operate on or around September 30, 2023. The Association’s financial challenges stemmed from two primary causes: the failure to commercialize its blockchain asset and a significant Harmonized Sales Tax (“HST”) liability arising from the sale of cryptocurrency.

PBSA dedicated seven (7) years to the development of its blockchain asset. As the product neared completion, the Association sought to pitch this innovation to the open market. However, despite the extensive development period, the market response was tepid, and the Association was unable to secure sufficient interest or investment to commercialize the product. The lack of market traction not only halted potential revenue streams but also exhausted PBSA’s financial resources, leaving it unable to finalize production or pursue alternative marketing strategies.

The Association incurred a substantial HST liability of approximately \$1.36 million related to the sale of its cryptocurrency assets used to fund operations. This liability was identified by the Canada Revenue Agency (“CRA”) during audits covering the period from October 1, 2017 to September 30, 2020. The core issue was PBSA’s failure to collect HST on Bitcoin sales during this time frame. The Association’s position was that the Federal Department of Finance’s draft legislation from May 17, 2019 intended to classify virtual currencies as financial instruments for GST/HST purposes, which implied that such transactions were not taxable post-May 18, 2019. However, the status of these sales prior to this date was ambiguous. PBSA contended that since these cryptocurrencies were received as donations and their subsequent sale did not constitute a commercial activity, HST should not apply. The legal interpretation hinged on whether the transactions were conducted within the scope of a business or as an adventure in the nature of trade, as defined by the Excise Tax Act (“ETA”). Despite this position, the unresolved tax liability placed an insurmountable financial burden on the Association, contributing significantly to its insolvency.

## ASSETS

The following table summarizes PBSA’s assets and liabilities as detailed in the Statement of Affairs (“SOA”) as at May 22, 2024, including the estimated net realization value of PBSA’s assets and deficiency to unsecured creditors. The asset values reflected below are net book values as detailed in the Association’s records as at September 30, 2023.

Peerplays Blockchain Standards Association Statement of Affairs as of May 22, 2024 In CAD (\$)	Net Book Value	Estimated Net Realization Value
<b>Assets</b>		
Cash and cash equivalents	-	-
Accounts receivable	-	-
Intellectual Property	-	-
<b>Total Assets</b>	-	-
<b>Liabilities</b>		
Unsecured Claims		1,368,663
<b>Total Liabilities</b>		<b>1,368,663</b>
<b>Deficiency</b>		<b>1,368,663</b>

*\*Disclaimer: The SOA was prepared by using the internal records of the Association. The information contained and discussed herein has not been audited, reviewed, or otherwise verified by BDO Canada Limited (“BDO”), and as such BDO expresses no opinion, whether expressed or implied, regarding the accuracy of the information contained herein.*

At the date of bankruptcy, PBSA did not have any recorded assets. Its only creditors consisted of the following:

- i. The Canadian Imperial Bank of Commerce (“**CIBC**”) with respect to a Canada Emergency Business Account (CEBA) loan of \$40,000; and
- ii. CRA with respect to an HST obligation of \$1,328,663.

### **CONSERVATORY AND PROTECTIVE MEASURES**

#### a) Conservatory and protective measures

The Trustee issued a written request to the Association’s banking institution, CIBC, requesting it freeze all bank accounts under PBSA. CIBC confirmed the bank accounts were frozen and provided current bank statements confirming all accounts have negative or nominal values.

#### b) Carrying on business

The Association ceased operations on or around September 30, 2023. The Trustee has no plans to operate the not-for-profit business.

#### c) Books and records

Paper and electronic books and records of the Association that are relevant to the bankruptcy administration are under the custody and control of the Trustee.

### **LEGAL PROCEEDINGS**

The Trustee is not aware of any legal claims against the Company.

### **PROVABLE CLAIMS**

The Trustee continues to review the proofs of claim being advanced by PBSA’s creditors and has not at this time completed an adjudication of the claims.

### **SECURED CREDITORS**

The Trustee is not aware of any secured claims against the Association.

### **ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION**

The Trustee does not anticipate any realizations for the sale of assets for the benefit of unsecured creditors. The Trustee is aware that PBSA’s assets include intellectual property, primarily blockchain related software, however, the probability of realizing upon these assets is highly uncertain and the estate does not have the financial resources to conduct a sales process. Therefore, the Trustee anticipates a significant shortfall to unsecured creditors.

### **PREFERENCES AND TRANSACTIONS AT UNDERVALUE**

The Trustee is not aware of any preferential payments or transactions at undervalue. The Trustee will report any findings to the estate inspectors, if any, for further consideration in due course.

Should any creditors have knowledge of potential preferential payments or transactions at undervalue, they are encouraged to contact the Trustee.

**SECTION J - OTHER MATERIAL MATTERS NOT COVERED ABOVE**

Prior to the bankruptcy assignment, the Trustee received a third-party deposit of \$20,000 from Freedom Ledger Financial Inc. (“Freedom”) to cover professional fees and any additional costs related to the administration of the estate. Jonathan Bahai, a former volunteer director of PBSA, is related to Freedom.

Dated at Halifax, Nova Scotia this 11<sup>th</sup> day of June 2024.

**BDO CANADA LIMITED**

In its capacity as Trustee in Bankruptcy of  
Peerplays Blockchain Standards Association  
and not in its personal capacity

Per:

A handwritten signature in black ink, appearing to read 'Neil Jones', written in a cursive style.

Neil Jones, CPA, CA, CIRP, LIT  
Senior Vice President