

ASX Release | Chapmans Limited (ASX:CHP)

Chapmans Quarterly Report | December 2017

Highlights

Investment Portfolio

- Completed first blockchain investment - \$1 million strategic investment in REFFIND (ASX:RFN)
- 20FOUR Media Holdings Pty Ltd to list on the ASX in Q2 CY18
- Major milestone for Syn Dynamics Australia Pty Ltd
- Completed divestment of interests in Digital4ge and VAMP

Corporate

- Established Blockchain Industry Advisory Board and appointed Alex Taylor and Mike Cohen
- Secured new cornerstone investors each taking a 5% stake
- Completed \$2M non-renounceable rights issue

January 31 2018 – Diversified investment company Chapmans Limited (ASX:CHP) (“Chapmans” or “the Company”) is pleased to present the Company’s Quarterly Activities Report for the quarter ended 31 December 2017.

Momentum from Previous Quarter Continues

Chapmans has continued to build on the momentum established in the previous quarter. The December quarter was highlighted by the entry of Chapmans into the emerging blockchain sector through an \$1 million strategic investment in REFFIND Limited (ASX:RFN) (“REFFIND”) and the formation of a Blockchain Industry Advisory Board (“Advisory Board”). Post quarter, the Company updated its plans to list 20FOUR Media Holdings Pty Ltd (“20FOUR”) on the Australian Securities Exchange (ASX).

Investment Portfolio

REFFIND Ltd (ASX:RFN)

Chapmans made its first strategic investment in blockchain during the quarter through a \$1 million participation in the placement of leading enterprise and loyalty company REFFIND Limited (ASX:RFN). Combined with the Company’s existing shares held in REFFIND, Chapmans now holds 9.33% of REFFIND’s shares, making Chapmans the largest shareholder.

REFFIND’s exposure to blockchain comes through a strategic investment it made in Loyal Corporation (“Loyal”) which has an advanced blockchain-based loyalty and rewards platform. REFFIND completed its investment on January 29, 2018 securing the maximum investment level of US\$2.3 million. The investment gives REFFIND a total equity holding of 14.71% of Loyal’s share capital and provides REFFIND with exclusive performance-based territorial licenced rights to its platform. The investment positions REFFIND for significant growth through an expansion of its existing rewards and recognition platform WooBoard.

Blockchain is a digitised, decentralised ledger that underpins almost all cryptocurrencies including Bitcoin, Ethereum and Ripple. The value of these cryptocurrencies has surged in the last year as major companies and financial institutions begin to adopt blockchain technology for payments and the creation and execution of “smart contracts”. Chapmans’ investment in REFFIND was made in accordance with the Company’s strategy of investing in proven and compelling blockchain technology companies with experienced teams and post-revenue status with low entry point pricing, well protected intellectual property and significant capital growth upside.

20FOUR Media Holdings Pty Limited

Post quarter, Chapmans announced plans to list 20FOUR on the Australian Securities Exchange (ASX) in Q2 CY18 via a Reverse Takeover Offer (RTO). Chapmans currently has a strategic 39% direct equity interest in 20FOUR, which is seeking to raise a minimum of \$1.2 million in a pre-ASX listing round which will see 20FOUR valued at \$21.6M (post the pre-ASX listing raise).

20FOUR is a sports-focused digital media business providing fans with interactive and personalised access to their favourite sports stars via an app-based or web platform. It provides an extension of standard media and social media by utilising smart peer-to-peer technology to create a real and unique connection between sports stars and their fans. 20FOUR has already signed approximately 200 athletes, reached over 20 million social accounts and achieved 10 million site visits. Major brands such as Schick, Netflix, Reece, Air New Zealand and MJ Bale have already signed on and are generating revenue for 20FOUR. Led by a highly proven team experienced in talent management, sports media and sales, 20FOUR plans to penetrate key international markets within the next 12 months.

Chapmans was also pleased to announce that Ben Buckley was appointed to the Board of 20FOUR. Mr Buckley has held a number of sports and media related leadership positions throughout his career including Executive Director of Sport & Content Partnerships at Foxtel, Chief Executive Officer of the Football Federation Australia (FAA), the national governing body for football (Soccer) in Australia from 2006-2012 and Chief Operating Officer of The Australian Football League (AFL), the governing body of Australian Rules Football from 1999-2006.

Chapmans sees Mr Buckley as an important part of 20FOUR’s growth as it moves through the listing process.

Syn Dynamics Australia Pty Ltd

During the quarter, Chapmans announced a major milestone for cleantech business Syn Dynamics Australia Pty Ltd (SDA), one of the Company’s strategic investments. SDA completed due diligence and formally entered into a Joint Venture Agreement (JV) with leading APAC region waste and environmental services company, Total Waste Management (TWM).

TWM is a world-class APAC-focused waste and environmental services company headquartered in Papua New Guinea. Its operations cover key industries including petroleum, mining, industrial and commercial and its service offering includes cleaning and industrial services, facilities management and civil and environmental engineering.

The 50:50 JV entity was incorporated with initial plans to install and operate a commercial-scale plant with the capacity to treat over 10,000 tonnes per annum of hazardous waste over a 20-year design life. The plant is expected to be commissioned in CY19. Following the successful operation of this plant, the JV then proposes to install and operate multiple large-scale commercial plants in targeted locations throughout the APAC region. The JV was a significant milestone for SDA. It formally brings together SDA’s next-generation plasma gasification technology with a major waste management operator. This partnership provides the opportunity to maximise the commercial potential of SDA’s technology.

SDA also continued to make strong progress in its R&D program which is being carried out with the Commonwealth Scientific and Industrial Organisation (CSIRO). Design specifications and plans were undertaken during the quarter for commercial scale pilot plant at CSIRO's Queensland Centre for Advanced Technology.

Chapmans Opportunities Limited (COL), has a majority, strategic 80% interest in SDA.

Divestment of interests in Digital4ge Pty Ltd and Visual Amplifiers Ltd

Chapmans completed the divestment of its equity interests in Digital4ge Pty Ltd (Digital4ge) and Visual Amplifiers Ltd (VAMP). Under a Binding Share Sale and Purchase Agreement (Agreement), Chapmans divested 100% of equity interest in Digital4ge and VAMP to the Ben McGrath Family Trust for a total consideration of \$700,000. Ben McGrath is a founder of Digital4ge and the founder and CEO of VAMP.

The Agreement also entitled Chapmans to be granted proxy by Digital4ge to assume Digital4ge's voting rights in REFFIND.

The proceeds from this divestment are being used to actively pursue further emerging opportunities in the blockchain sector.

MJ Life Sciences Pty Ltd (MJLS)

MJLS is an Australian special-purpose company established with the aim of becoming a leading global medicinal cannabis holding and investment company. MJLS is a direct investor in Caziwell Inc., owner of the established North American medicinal cannabis brand and business Aunt Zelda's, with convertible note rights of up to 49.99% in Caziwell Inc.

MJLS was founded and owned by three of the leading principals in the rapidly expanding Australian and global medicinal cannabis industries – Harry Karelis, Jason Peterson and Dr Stewart Washer – between them founders and/or directors of AusCann Group Holdings Limited (ASX:AC8), Zelda Therapeutics Limited (ASX:ZLD), CannPal Animal Therapeutics Ltd (ASX:CP1) and specialist cannabis medical clinic operator CliniCann Ltd.

During the quarter, Anthony Dunlop and Peter Dykes were appointed to the Board of MJLS. In addition, the Board of MJLS are actively pursuing additional cannabis investment opportunities. In addition, an update in respect of Aunt Zelda's is detailed below.

Aunt Zelda's is well positioned in the Californian medical cannabis market with premium tested cannabis products designed to treat a range of conditions. Aunt Zelda's is developing a patient portal that will allow patients to come direct to the company for specialist medicines. Mara Gordon continues to speak at major events internationally to promote medical cannabis and the Aunt Zelda's brand.

Fantasy Sports Global Limited (FSG)

The Company is the final stages of negotiations with the major shareholder of Fantasy Sports Global Limited (FSG) to affect a transaction that will result in the buyback of that shareholder's \$4 million worth of shares in Chapmans Opportunities Limited (COL) the consideration for which would be the payment by transfer of \$4 million worth of shares in FSG held by COL.

Subject to the successful completion of these negotiations Chapmans would return to 100% ownership of COL and COL would have a \$1 million investment in FSG.

Corporate Update

Established Blockchain Industry Advisory Board

Chapmans investigated numerous blockchain opportunities throughout the quarter and established an Advisory Board to advise the Company on future investments. The Advisory Board's first appointees are blockchain industry experts Alex Taylor and Mike Cohen.

Mr Taylor is currently Senior Manager of Disruptive Strategy at Insurance Australia Group (ASX:IAG) and has been involved in the blockchain industry since its inception and is the co-founder of BitPOS, an Australian provider of bitcoin merchant services including ATMs.

Mr Cohen has extensive blockchain industry experience as an advisor and system architect for leading industry stakeholders including blockchain development teams and solutions providers, regulatory and industry bodies and enterprise customers and investors.

The Advisory Board is employing its technical, commercial and regulatory expertise to identify and assess compelling blockchain investment opportunities. The Company has a strong and expanding pipeline of global blockchain projects that it is currently assessing and it will update investors on outcomes shortly.

Secured new strategic cornerstone investors

Chapmans secured two new strategic investors to help fund and support the Company's high growth investment strategy.

Tan Sri Abu Sahid Bin Mohamed and Tan Sri Tuang Nguang Lau (also known as Tan Sri Francis Lau) each subscribed for 65 million Ordinary shares in Chapmans at a price of \$0.005 per share, giving them each 5% equity interest in the Company. The total consideration of this investment is \$1.3 million.

Tan Sri Abu Sahid Bin Mohamed is a Malaysian billionaire who holds a number of chairmanship and board positions including Group Executive Chairman of Maju Holdings Sdn Bhd, Executive Chairman of Ipmuda Bhd, Chairman of Konsortium Lapangan Terjaya Sdn Bhd, and Director of Ipmuda Bhd and Perwaja Berhad.

Tan Sri Tuang Nguang Lau is a senior Malaysian business figure with more than 30 years' experience in the agriculture and livestock industries. He is the Head and Executive Director of Leong Hup Group, the oldest and largest poultry group in Malaysia. He also holds a number of board and advisory positions.

Investment Capital Funding Activities

During the quarter Chapmans raised \$2.04 million through a non-renounceable rights issue. Proceeds of the rights issue are being used to fund the Company's existing business including SDA's pilot plants and associated operations costs, capital for new investments made by the Company and working capital for the Company.

In addition, Chapmans intends to raise up to \$5 million via a share issue at a minimum of \$0.018 to be approved at an Extraordinary General Meeting to be held on 2 March 2018 to fund new investment opportunities.

Chapmans' Executive Chairman Peter Dykes: "We are very pleased with the progress we made in the December quarter. We see our investment in blockchain technology as in keeping with our high conviction investment philosophy of investing in early-stage technologies with global potential. Along with our other potential blockchain investments, we see this area as key to our future growth plans. We are also very pleased with SDA's milestone joint venture and 20FOUR's progress in its journey to listing on the ASX."

Ends

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About Chapmans Limited

Chapmans Limited (ASX:CHP) is an ASX-listed diversified investment company engaged in special situation investments across a diverse range of industries, with a focus and expertise in the mobile and advanced industrial technology sectors. The Company seeks to be an active strategic investor in high growth areas of the market and to identify and work with emerging high growth companies. Chapmans' investment philosophy and approach are based on a unique mix of high conviction and special situation features, characterised by advisory and equity investments structured around specific events and assets for both public and large private corporates.

The Company made its first strategic investment into blockchain in 2017 and established the Blockchain Industry Advisory Board to identify and assess compelling blockchain investment opportunities. Chapmans' investment in blockchain technology aligns with its growth plans and commitment to investing in early stage technologies with reach into key international markets.

To learn more please visit: www.chapmansltd.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

CHAPMANS LIMITED AND ITS CONSOLIDATED ENTITIES

ABN

34 000 012 386

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	199	1,199
1.2 Payments for		
(a) research and development	(338)	(651)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(10)	(19)
(d) leased assets	-	-
(e) staff costs	(441)	(1,271)
(f) administration and corporate costs ¹	(612)	(1,636)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	497	497
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(705)	(1,885)

¹ During the quarter, approximately \$460,000 in legal fees were paid as an abnormal and one off cost.

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	(1,968)	(4,893)
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	1,002	2,114
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(966)	(2,779)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,425	5,388
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(23)	(227)
3.5	Proceeds from borrowings	658	1,177
3.6	Repayment of borrowings	(821)	(999)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Loans to other entities	(531)	(731)
3.10	Net cash from / (used in) financing activities	1,708	4,608

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	6	99
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(705)	(1,885)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(966)	(2,779)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,708	4,608
4.5 Effect of movement in exchange rates on cash held	(2)	(2)
4.6 Cash and cash equivalents at end of quarter	41	41

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	41	6
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	41	6

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	441
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

6.1 includes directors' fees including superannuation, consulting and management fees.

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7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(300)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(25)
9.4 Leased assets	-
9.5 Staff costs	(350)
9.6 Administration and corporate costs	(400)
9.7 Investments	(2,000)
9.8 Total estimated cash outflows	(3,075)

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10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: ..Peter Dykes..... Date:31 January 2018.....
(Chairman)

Print name: ..Peter Dykes.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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