AUSTRALIAN
RESEARCH
INDEPENDENT INVESTMENT RESEARCH

Chapmans Limited (ASX: CHP)

Initiating Coverage

May 2017

INDEPENDENT
INVESTMENT RESEARCH

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3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

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Chapmans Limited (ASX: CHP)

May 2017

Note: This report is based on information as at 4 May, 2017.. This report does not include the impact of announcements made by Chapmans Limited after 4 May, 2017.

Investment Profile	
Share Price ($) as at 3 Jan, 2017	0.015
Issue Capital:	300.00 M
Performance Shares	Nil
Fully Diluted (M)	300.00 M
Market Capitalisation (M)	$4.2 M
12 month Lo / Hi ($)	0.01/ 0.05

Board and Management

Directors:

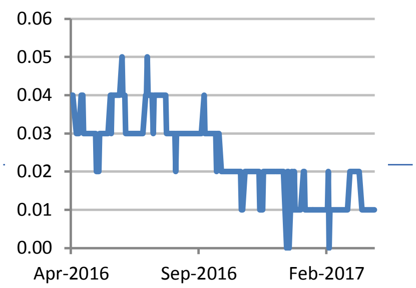
Mr Peter James Dykes, Exec Ch

Mr Anthony Dunlop, Exec Director

Mr Christopher Newport, Non Exec Director

Major Shareholders	
Poipu Bay P/L (Peter Dykes)	14.3%
Currandooley P/L	8.3%
Carrara Wealth Group P/L	9.2%
Anthony Dunlop	7.6%
Aust-Sport Financial Services P/L	6.3%

Share Price Performance



EARLY STAGE AND SEED CAPITAL INVESTOR

Chapmans Limited (ASX: CHP) is a specialist Listed Investment Company with a focus on early stage and start up ventures that are seeking capital and active management advice. CHP's investment style is based on active management of its investee companies, a relatively few investments, and controlling shareholdings.

KEY POINTS

- **Portfolio strategy.** CHP is expected to rotate through each of its investments within several years of the initial investment, with exit strategies including trade sale, IPO (ASX listing) and other strategies. As such, the investment portfolio is expected to change each few years as investments are sold, and new investments are successfully initiated.
- **Value creation**. Value creation for CHP's shareholders is expected from the ability of the company to guide each of its technology based investments to commercialisation, provision of fee paying corporate services, and staged funding as milestones are reached. Each investment is required to have a differentiated, scalable technology in growth markets and global potential. We also expect value creation should CHP restructure its portfolio to unlock underlying value, and following the expected listing of one or more of its investments.
- **Current Portfolio.** CHP currently has direct and indirect investments in four companies, each in various stages of development and commercialisation.
- **Investor suitability**. CHP is a niche investment company with a market capitalisation and expected risk : return characteristics that indicate that the company is not suited to all investors. CHP is expected to maintain its focus on a small number of investments with unique technology exposures. Investment in each of these companies will be made in the early stage of their development, and typically before their technologies and business have reached commercial launch. The upside from each investment is expected to be exit valuations of multiples of CHP's entry price providing a significant reward for the successful investments. This is offset by the probability that CHP will also invest in companies that do not attain their potential, and hence potentially be exited by CHP at a value below the entry valuation. CHP is therefore suited to investors seeking the high returns from investing in a portfolio of startup technology companies, and also willing to absorb the potential losses from failed investments.
- **Recommendtion**. We have initiated coverage of CHP with a target price of 2.70 cps, a significant premium to the share price. We are comfortable with the experience of the small management team of CHP and the investment philosophy. Independent Investment Research would prefer to see proof of the manager's ability to generate the prospective superior returns before upgrading our recommendation. CHP is expected to maintain its exposure, including management advice and services, to a small (by number) portfolio of highly prospective technology companies which will be developed and matured in preparation for sale. CHP has the potential to deliver above average returns for its shareholders throughout the cycle, but with a volatility of returns that reflects the higher than average risk profile of the portfolio and investment style. The historic performance of CHP, based on a previous management team and investment philosophy, does not reflect the future potential for the group.

SWOT ANALYSIS

Strengths

- The company has recently restructured its management and investment portfolio, and has set aggressive investment return hurdles to focus on shareholder wealth enhancement. The company has invested in a number of startup technology companies with significant valuation upside potential.
- The management team of CHP is actively involved with each of its investee companies, providing management skills, corporate advice and business services to accelerate the path of each investment to commercialisation and revenue growth.
- The company has confidence that the funding is in place for each of its investment companies to attain financial sustainability.
- Each investee company is exposed to unique technology capabilities, primarily entertainment / internet, and waste management. Both of these industrial sectors are expected to record strong revenue growth over the short and medium term. Each investee company has either commercial or proven "pre commercialisation" technology that differentiates their offering from competitors.
- CHP has an investment philosophy which is expected to result in the value of each investee company to increase by multiples of the initial investment as their technology is commercialised or their market share is increased.
- Each investee company has technology that is scalable and applicable to global markets.

Weaknesses

- The current low market capitalisation of CHP ($4.2m) prevents certain institutional investors from taking a shareholding in the company.
- CHP does not currently report their NTA on a monthly basis, but rather with the Interim and Full Year profit results. Our view is that a portfolio investor should make more regular portfolio NTA announcements. We recognise the difficulty and cost of doing this for a portfolio of unlisted investments. We understand that management will move to monthly reporting of NTA for their listed investments.

Opportunities

- CHP has divested its legacy (ie, previously owned) assets, and has since invested its funds in a small portfolio of startup, technology based companies that have either progressed to financial breakeven, or are progressing through development to commercialisation of their technologies.
- The group should benefit from valuation uplift as the various business models of their investments are proven and the financial sustainability of each investment is secured.
- CHP shareholders should benefit from share price strength as the market appreciates the new direction of the company, the abilities of current management, and the potential valuation increases of the investee companies.
- The company currently trades at a discount to its last stated NTA of 3.66 cps.

Threats

- Poor investment decisions or the inability of the management team to effectively mentor the investee companies to financial sustainability could result in a negative revaluation of assets, with a direct impact on CHP's NTA.
- The investee technology companies, particularly those based on mobile and internet databasing technology, are at risk from competition threats and copying of their technology. This risk is mitigated to an extent by the non-technology based strengths of each investee company, including exclusive licencing, personnel and industry relationships.
- While Syn Dynamics appears to have a unique and in-demand technology which is able to solve a major industrial problem (waste management), the process still needs regulatory approval and confirmation of the technology's viability on an industrial scale. The company may also require some internal funding to establish the first industrial scale plant. These issues could delay the first commercial installation.
- The management of CHP comprises a small team of experienced corporate managers and investment professionals. The small team exposes CHP to "keyman" risk.

COMPANY OVERVIEW

INVESTMENT OBJECTIVES

CHP has a focussed and tightly defined investment philosophy. The group will invest in a small number of investments that display industry leading technology, the ability for CHP to add value through active management and funding injection, and an exit time line of 12 to 18 months. CHP has invested in start up companies that have an identified path to commercialisation.

INVESTMENT PROCESS

CHP's investment approach is based on actively managing a small number of technology based companies that have clear differentiating content or intellectual property that differentiates the company from its peers, and has a scalable platform or technology that can be applied to global markets.

CHP seeks investments that have a low entry price, and the potential to increase in valuation by multiples by the time of divestment. The typical holding period for each investment is expected to be 12 to 18 months.

CHP has aggressive minimum target returns to be achieved during the incubation period, and has taken direct action with the current investment portfolio where this was warranted to ensure the rapid realisation of the investee company's revaluation potential. CHP will also have Board representation for each of its investments to ensure direct involvement with the development, maturation and growth.

CHP will prepare each investee company for exit strategies which may include IPO (listing on the ASX), or other exit opportunities that may be available depending on market conditions. CHP may also provide corporate advice during the exit process, for which it may charge a fee.

CHP bases its investments on several principles:

1. Controlling shareholdings in a small number of investments, with each investment having clearly defined competitive or technology advantages;
2. Capital growth through the combination of low entry prices and expected revaluation at exit;
3. Portfolio diversification, with the portfolio of investments represented by various positions on the risk : return curve, different stages of development and commercialisation, and a mix of public and private companies;
4. Typically short term investments (from initial investment to exit) combined with the flexibility to hold some investments for the long term;
5. Active management of each investment;
6. Quantitative and qualitative investment analysis prior to investment;
7. Risk management through a minimum 5% holding (but typically a controlling holding), corporate financial advice, legal and related services, Board and management repositioning, and external party support including Investor Relations and broker relationships for market awareness.

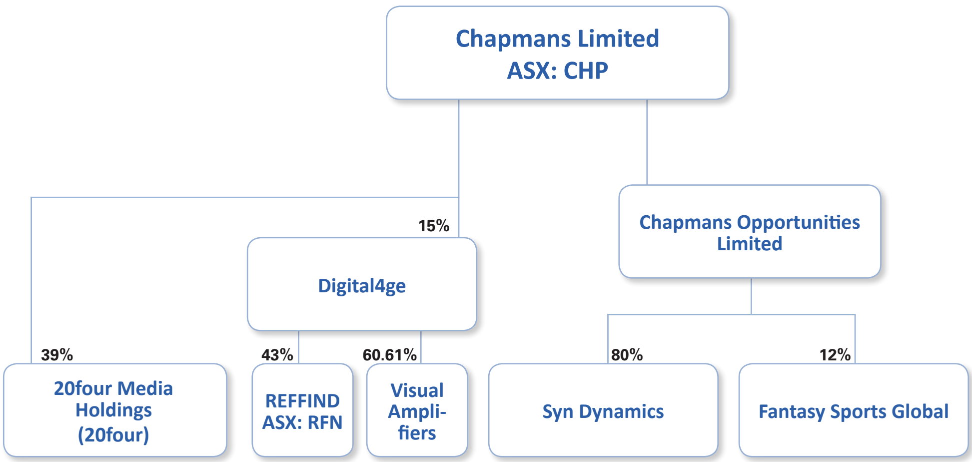
BUSINESS MODEL AND INVESTMENT PORTFOLIO

CHP has controlling investments in four businesses that are in startup or initial commercialisation stages of development.

These businesses are:

Company	VALUE ($M, CHP%)	Cost CHP ($M)	CHP %	Description
20four	5.3	1.20	39.26%	Mobile digital media app focussed on the sports industry. Data and apps that monetise both industry and athlete originated content for fans to access.
Digital4ge	0.90	0.75	15.00%	Active incubator specialising in technology companies with scalable, global opportunities. Currently invested in REFFIND (ASX: RFN) - mobile based employee referrals - and Visual Amplifiers - connecting influencers and major brands via the Instagram platform.
Syn Dynamics	3.32	1.03	80.00%	Plasma gasification based technology used to convert hazardous industrial wastes to syngas, a renewable energy commodity.
Fantasy Sports	5.15	5.00	12.19%	Sports betting technology based on unique global databases, gaming strategies and customer interfaces. Wholesale and direct gamer revenue models.

Several investments already have businesses that generate revenue including Fantasy Sports Global, 20four, REFFIND, and Visual Amplifiers. Syn Dynamics has recently announced its first commercialisation customer, which will test its technology on an industrial scale before a regional (Australia / Asia) rollout of its hazardous waste treatment plants, to be followed by a wider regional expansion.



The focussed investment portfolio has the scope for meaningful valuation upside. The portfolio of companies are expected to expand their market penetration, report their initial commercial sales revenues, enhance industry recognition, and generate customer growth. CHP plans to develop both Australian and international exposure for their investee companies. These outcomes are expected to result in meaningful revenue growth in the short term, and to establish the foundations for successive listings on the ASX of the investee companies, or other exit strategies.

Each investment has proprietary and niche technology which differentiates the business from its competitors with an innovative product offering. This is expected to lead to value creation on the assumption that the business managers, combined with the corporate advice provided by the CHP investment team, results in dynamic, successful and value accreting businesses.

CHP is an active manager of its investments, providing a wide range of strategic and tactical advice plus corporate support services as required from time to time.

CHP is presented with numerous investment opportunities each year. Depending on financial conditions at the time and the nature of the opportunities, CHP may expand its investment portfolio.

Further details on CHP's current investments are provided below.

CHP's Current Investment Portfolio

CHP has direct and indirect investments in four companies. The company remains an active investor, and the investment portfolio is expected to change over time as the company exits maturing investments and invests in other startup phase investments or other opportunities that are compatible with the investment mandate.

20four Media Holdings (prev Digital Star Media Holdings) (CHP: 39% direct holding)

20four Media provides a digital mobile app branded "20four" which consists of a platform for sports personalities to contribute content to be accessed by their fans, coupled with a content creation agency that works to provide easy brand access to sports stars, and high quality content. The business, through their contracted athlete roster, has access to a large inventory of both athlete generated content that they can influence, as well as a roster of 'shoot-time' for studio content - brands are interested in integration opportunities with both. The content is exclusive and includes personal stories, sports strategy insights, one-on-one interactions and pay-for-use experiences for sports code fans. This product launched commercially in April, 2017. The business model provides a mechanism for sports personalities to bypass the industry income cap code, and encourages sports personalities to generate content with their income based on their ability to work with, and provide positive influence on behalf of, brands. Content is obtained at a lower cost than available to large network distributors, and has the potential to reach a large online and mobile target audience. The content will include exclusive, athlete generated content that gives background information on strategies used in play, and milestones to success within their careers, in addition to studio created content that takes the storytelling aspect to a deeper layer. The model is scalable with international ambitions, and the Board comprises well known industry managers with direct access to high performing sports athletes.

20four Media is also establishing the ability to repackage its content, to be made commercially available on a wholesale basis to various third party retail content providers.

While this industry is expected to become more competitive over the next few years, 20four Media has first mover advantage, is building contacts and content, and has already engaged professional sports media and code managers on its Board and executive. The company has also established marketing and distribution capability. With international capability, it is likely that 20four Media will become one of the successful companies in this growth industry.

Digital4ge (CHP: 15% direct holding)

CHP made its initial investment in Digital4ge in 2014.

Digital4ge is an independent, externally managed venture capital fund focussed on investing in and nurturing start up and early stage businesses with compelling opportunities, and scalable global technology. CHP has taken a 15% direct holding in Digital4ge, which currently has two significant investments: REFFIND (Digital4ge: 43% holding) and Visual Amplifiers (Digital4ge: 60.61% holding).

REFFIND (CHP: 6.45% indirect holding)

REFFIND was established by Digital4ge and then listed in July, 2015. The mobile technology platform developed by REFFIND offers an employee referral solution and currently has operations in Australia and the USA.

Employee referral is a recruitment method employed by organisations to identify potential candidates from their existing employees' social networks. An employee referral scheme encourages a company's existing employees to select and recruit the suitable candidates from their social networks. Employee referrals are increasingly acknowledged as being the most cost effective and efficient recruitment method to recruit candidates. This cost benefit is resulting in many organisations replacing typical external recruitment firms with in-house derived referrals. 92% of reported employee referrals stated that employee referrals are one of the top recruiting sources for recruiting as well as experiencing a significant rise in investment in 2014, according to The Global Employee Referral Index Survey.

While the technology is not unique (RecruitLoop is a US based competitor, while LinkedIn has adapted its social network database to include an employee referral platform), the market is developing rapidly and REFFIND has the opportunity to establish and sustain a valuable position within this industry.

Visual Amplifiers (CHP: 9.1% indirect holding)

Visual Amplifiers (VAMP) provides a link between industry influencers and major brand advertisers. VAMP typically provides its connections and solutions through Instagram (currently owned by Facebook). VAMP creates brand placement advertising on Instagram, and also provides talent recruitment, product delivery, payments, reporting analytics and optimisation strategies. VAMP manages the placement and timing of advertisements to create the best value add for the advertisers, and has worked with major advertisers including Samsung, eBay, Smirnoff, Vittoria, General pants, UniQlo and Snapple.

Operating with many large consumer spending exposed brands and familiar with the emerging social media technologies, VAMP has the potential to remain relevant while mobile social networks gain popularity in general and as an advertising medium, progressively replacing more traditional forms of advertising.

VAMP also has the ability to maintain engagement with consumers who are showing reduced loyalty for traditional advertising mediums, and are otherwise difficult to reach.

Syn Dynamics (CHP: 80% indirect holding)

CHP made an initial investment in Syn Dynamics in July, 2016 and increased its stake to 80% in December, 2016.

Syn Dynamics will convert hazardous wastes to a renewable clean gas, commonly known as syngas, which can be used to generate electricity, using plasma gas technology which is signifcantly cheaper than competing technologies. The Syn Dynamics technology is the first to convert 100% of the waste, compared to other legacy technologies that convert only 30% to 50% of the waste. The competing technologies also generate residual toxic byproducts. This will have a positive impact on the environment. The cost of managing this waste is currently very high, and in many cases the problem is addressed by storage (to postpone treatment) rather than immediate treatment. Syn Dynamics has the technology (certified by the CSIRO) to cost effectively treat these stored and currently generated wastes. The technology is modular and can be configured as either a large scale, fixed plant or smaller mobile plants. The modular nature of the technology means that customers can dial up or down the capacity, aligning costs to their current waste volume. Typical waste streams suitable to this technology include from oil refineries, petro chemical plants, mining, metal fabrication and pharmaceutical companies. Any carbon based waste can be potentially converted into syngas, which is then burnt to generate electricity, or used as a feedstock by chemical manufacturers. In some circumstances useful excess energy can be generated from the syngas that can be sold into the electricity grid.

Syn Dynamics announced in December, 2016 that it has signed up its first commercial customer. Syn Dynamics has engaged a major mining, oil and gas corporate with operations in the Australian / Asian region to test the plasma gasification technology on a full industrial scale to process an existing hazardous and toxic waste issue, as well as treat ongoing waste generated by the company. The plant will be operated within a joint venture to be owned 50% by Syn Dynamics and 50% by the corporate partner.

Currently there are circa 300 plasma gasification plants operating around the world to address this major problem. Syn Dynamics, based on CSIRO lab scale testing, has established a technology that can treat this waste at a much lower cost than established operators. The opportunities for Syn Dynamics are very large on a global scale. Clearly the company has to source the funding for building the initial plants to establish a sustainable cash flow. We have assumed that this initial funding will be partly sourced from the initial corporate customer. Assuming the technology meets its potential indicated by the batch trials, there is a very significant market available to Syn Dynamics. It is assumed that other operators in the waste treatment market will develop similar technology. The size of the global market, combined with Syn Dynamics' current patent portfolio, should provide a measure of revenue protection for the company, and should also result in a strong growth profile over the next few years.

Fantasy Sports Global (CHP: 12% indirect holding)

CHP (via its subsidiary Chapman Opportunities Limited) made its investment in FSG in June 2016. CHP has also entered into legal agreements to provide corporate advice to FSG, including extending its market into China, India, Europe and the USA, and advising FSG on listing on the ASX within 12 months of investment. The Hong Kong based Ho family, known for its Asian gaming interests, acquired 10.59% of FSG in June 2016.

FSG has developed a number of fantasy sports platforms to facilitate consumers to engage in pay-per-play online and mobile games based on broad sports thematics. FSG differentiates itself from its competition by providing white label products so that sporting and gaming majors can use their platform for their own badged products, a comprehensive database so that players can select avatars based on actual sports heroes, and a gaming platform similar to lotto. The company has already experienced strong demand for its white label product from major sports franchises, retailers and corporates. The company has already signed a deal with a major global sports based gaming organisation.

As graphics based mobile technologies continue to develop, these platforms will provide more realistic and featured games for sports inclined players and gamblers. With its unique ability to link games to an extensive database to enhance the realistic experience of their games, the distribution capability of major corporates and organisations, global placement ambitions, and gambling revenues through its games and related services, FSG is well placed to establish a strong position in this growing consumer segment.

VALUATION

We have valued CHP at 2.70 cps based on a multiple of Net Tangible Asset (NTA) methodology. This is due to the fact that the timing of profit realisation through exit strategies (the expected major contributor to shareholder value) of the investee companies cannot reliably be determined. Also, the revenue that is currently generated from management consultancy fees may not be representative of the longer term trend.

CHP is expected to update its reported NTA with each six month (ie, the interim and final) profit announcement.

At the December 2016 profit result, CHP upgraded its NTA (based on a commissioned independent review undertaken by William Buck Corporate Advisory Services (NSW) Pty Ltd) from 0.68 cps at June 2016 (the interim 2016 profit result) to 3.66 cps at December 2016 (the final 2016 profit result).

The latest reported NTA is based on the implied valuation of Chapmans investee companies based on recent equity injections to these companies, including those from Chapmans.

William Buck has valued the investment portfolio (@ 100% of each investment) at $80.2m. This translates to $14.8M based on Chapmans percent holding in each company, with the main contributors being 20fourMedia ($5.3M), Syn Dynamics ($3.3m) and Fantasy Sports Global ($5.1M).

Independent Investment Research notes the key opportunities and risks for each investment, which is key to forecasting the potential upside for each investment.

20fourMedia:

Opportunities - demand for sports content, strong sports code contacts, unique business model (differentiation), global plans.

Risks - competition, technology (a leveller of the current differentiating features), lack of traction during initial growth phase.

Syn Dynamics:

Opportunities - significant existing and newly created toxic and other industrial wastes, unique technology, cost advantage compared to competing technologies.

Risks - acceptance by corporates (reputational risks for the corporates if the technology fails, resulting in technology acceptance issues), other larger technology companies developing competing technology that may be less capable but backed by larger marketing spend.

Fantasy Sports Global (FSG):

Opportunities - rapidly growing market for mobile games including sports themed games, scalability to new markets.

Risks - Stability of FSG's IT platform, merging the recently acquired businesses, competition (technology, marketing)

Digital4ge:

Opportunities - success with developing various technology companies

Risks - high failure rate for startup mobile technology companies

There are several industry methodologies used to value start up technology companies. These include multiples of revenue, valuation by stage (a rough rule of thumb that values start ups based on their stage of development), discounted cash flow, and cost to duplicate (which only considers the development cost to date and not the future revenue generating potential).

The implied assumption used by William Buck is that the valuations used for each equity injection reflects the valuation of the investee company, based on Chapmans internal cash flow analysis in most instances, at the time of each investment.

We have valued Chapmans based on a discount to the latest stated NTA noting both the opportunities and risks from the investee companies at their current stage of development. We note that 20four Media has successfully reached its commercial launch milestone, while Syn Dynamics is in the final stages of negotiating the utilisation of its technology in a new, large scale petroleum industry waste products management facility in the Asia Pacific region. Both of these milestones reduce the risk of attaining a meaningful valuation upside at the time of exit.

Noting the most recent NTA of 3.66 cps, IIR has valued the company at 2.70 cps, which is both a discount to the NTA, and a significant premium to the current share price of 1.5 cps. The discount to NTA recognises the high risk profile of seed investments, and also acknowledges that commercial success of even the best technology needs to overcome many hurdles.Upon each investee company reaching key milestones that reduces the portfolio risk profile and validates the value of Chapmans' investments, we anticipate that our valuation will increase, and be closer to the NTA as reported from time to time.

CAPITAL STRUCTURE

CHP is a closed-end investment vehicle and does not need to redeem or issue securities to meet investor inflows and outflows. However, as with all listed companies, CHP has the option of issuing new shares if it sees opportunities to grow the portfolio.

The Board regularly reviews the most efficient manner by which the company employs its capital. It is expected that returns to shareholders will be based on capital profits made from divesting successful investments when they reach the target valuation.

RISKS

The key risks include but are not limited to:

Access to capital. CHP may need to access the equity or debt markets to source additional funding to ensure the development of its investment portfolio, and to invest in new investee companies. It is not guaranteed that CHP will have access to monies from the equity and debt markets at the tome the money is required.

Dividends. CHP has not paid dividends for circa ten years. The prospect for franked dividends in the future will depend on the company's success in generating taxed capital profits on divestments surplus to the requirements by CHP for subsequent investments, and for franked dividends received from its investment portfolio should these investments become profitable and pay dividends prior to divestment by CHP.

Exit strategy. CHP has a flexible exit strategy including trade sale or IPO of each of its investments within a 12 month to five year time frame (depending on market conditions at the time, and the progress of each investment towards maturation). There is the risk that situations may not permit the sale or exit from an investment at the time that is most beneficial to CHP.

Failure of one or more investments. CHP specialises in active and controlling investments in a small portfolio of early stage investments. While the opportunities from these investee companies, given CHP's selection criteria, are significant there is also the possibility that technology, management or competition issues will redcue the realised returns from any investee company.

Identification of new investment opportunities. The business model of CHP ultimately involves the recycling of funds from matured businesses to early stage investments. While CHP has a strong flow of potential investments, there is a risk that a suitable investee company may not be available at the time that CHP exits a matured investment. This would delay the recycling of CHP's investment funds.

Management capability. Managing active investments and providing corporate advice is a specialised activity. There is a risk that the advice provided by CHP does not meet the specific needs of the investee companies from time to time, or that the management of the investee companies does not adequately utilise the advice provided. CHP is able to offset this risk through its controlling shareholding in each investment.

Market conditions. For shareholders, the value accretion of their investment in CHP is aligned to both the reported NTA of CHP from time to time, and the market's perception of this reported NTA (ie, the share price). It is possible that the markets will, from time to time, mis-price CHP's shares.

BOARD AND MANAGEMENT

CHP LIMITED BOARD

The Board comprises three members, two of whom are non-independent directors. The directors have significant experience in funds management and corporate advice.

Board

Peter Dykes, Executive Chairman

Extensive experience in the technology industry including as a founding member of the technology advisory practice of a major accounting form and founding partner of a private boutique technology advisory business.

Peter has a Bachelor of Business (Accountancy) and is a Fellow of the Tax Institute of Australia. He owns 35,775,000 shares in CHP.

Anthony Dunlop, Executive Director

25 years banking, finance and corporate advisory experience in Australia, Hong Kong, China, New Zealand, South Africa and the USA. Anthony has held Board and group executive roles with extensive experience in equity and debt funding markets, new product development, wholesale funding and risk management.

Anthony has a Bachelor of Economics and is Graduate of the Australian Institute of Company Directors. He owns 22,800,000 shares in CHP.

Chris Newport, Non Executive Director

Extensive experience and expertise in the mobile technology sector with a focus on mobile application and delivery. Chris has a reputation as a technology entrepreneur and has developed a number of mobile media and ecommerce businesses.

Chris does not currently own any shares in CHP.

PEER GROUP ASSESSMENT

We have performed a review of peer group investment companies domiciled in Australia and the UK.

In the Australian venture capital market, there are 180 companies that are associated with the sector in various capacities, including direct funding of start up companies (fund managers), and provision of legal and advice services to the sector. This group of companies includes subsidiaries of more general financial service companies.

We have identified six companies that are listed on the ASX and have a similar business model to CHP. These are:

Blue Sky Venture Capital (ASX: BLA)

BLA (venture capital) specialises in providing both late stage venture capital and early expansion capital to Australian companies to help support their growth. BLA currently has investments in companies across a broad range of industries, including e-commerce, consumer technology, medical devices and specialty pharmaceuticals. BLA takes a technology and industry agnostic approach and invests in a diverse and balanced portfolio of venture capital opportunities.

Powerhouse Ventures (ASX: PVL)

Powerhouse was established to commercialise scientific innovation developed at the universities of Lincoln and Canterbury. The company's exposure now spans New Zealand with a portfolio of over 20 investments, and manages both its own direct investments and assets on behalf of other investors. The investment portfolio includes pre-seed funding, seed funding, and post seed funding indicating a focus on early stage investing. The group has begun to establish relationships with Australian universities to diversify its geographic exposure. Powerhouse has developed a proprietary approach which includes a lean approach to venture development that initially requires only low levels of investment. During the early development phase Powerhouse works closely with a business to help shape the strategic direction.

IQ3 Corp (ASX: IQ3)

iQ3 Corp is a corporate finance and advisory firm focussing on life science technology. iQ3 Corp provides advice to life science companies on mergers and acquisitions, strategic matters, restructuring and capital structure, capital raising and corporate finance to corporations, partnerships, institutions, governments, and individuals.

EVE Investments (ASX: EVE)

EVE is a venture capital firm specialising in start up investments in the technology sector. The firm prefers to invest in Australian companies.

ING Private Equity Access Limited (ASX: IPE)

IPE specialises in fund of funds investments. The fund invests in private equity funds an7d early stage venture capital funds. It makes co-investments and secondary investments in private equity.

Techniche (ASX: TCN)

TCN invests in profitable technology companies. The focus is on specialised, mission critical, intelligent and predictive, Business to Business (B2B) applications that drive down costs by decreasing redundant manual interventions and increasing value of data. These technologies generally provide linkages to the Internet of Things and enhance automated processes. TCN is an active manager of its investments.

Bailador Technology Investments (ASX: BTI)

Bailador is a specialist investor in the information technology and media sectors. The investment team has over 50 years of combined corporate, private equity and expansion capital investing experience. Bailador typically invests $2-10M of equity into each investee company, targeting minority investments alongside founders and management who have best-in-class technology or business systems. BTI has invested $140M in 10 companies involved in hotel management and booking technology, distribution of digital media, applying user generated content application to corporate marketing, translation services, vendor compliance management, media industry data analytics, digital document management solutions, online tourism bookings, corporate database management, and an online home loan originator.

Company	NTA (cps)	Price (cps)	P / NTA (x)
CHP	**3.66**	**1.5**	**0.41x**
BTI	116.00	93.0	0.80x
PVL	85.00	67.5	0.85x
IPE	11.00	12.0	1.09x
TCN	3.11	6.1	1.96x
EVE	0.17	0.7	4.10x
BLA	175.00	792.0	4.53x
IQ3	3.00	29.0	9.70x

It can be seen that several companies appear to be valued by the market on a P / NTA (or a liquidation) basis while others are valued on a multiple of earnings if the venture capital segment is not the main contributor to the company's value.

We have identified three UK based companies that are listed and provide similar services to CHP. These are:

ICG Enterprise Trust (LSE: GPE)

ICG Enterprise Trust plc is an investment company listed on the London Stock Exchange. Its objective is to provide shareholders with long-term capital growth through investment in unquoted companies, though private equity funds and also directly. There are approximately 400 companies in ICG Enterprise Trust's portfolio, most of which have been involved in management buy-outs. About 85% of them are headquartered in the UK and Europe, with most of the remainder in North America.

IP Group (LSE: IPO)

IP Group was set up to finance, support and lead innovative start up companies that originate within partner universities and have the capability to commercialise leading edge technologies. The group began by sourcing technologies within UK universities, and has now begun to source technologies from within US based research institutions. IP Group provides financial capital, strategic and commercial expertise, executive search and development, corporate advice and administrative services. The portfolio is comprised of 80 companies within four sectors (Biotech, Cleantech, Healthcare and Technology).

Mercia Technologies (LSE: MERC)

Mercia invests direct and third party funds into early stage businesses with high growth potential. Mercia provides a diverse range of capital support and management. The group expects to create value through locating and supporting innovative start up companies through to an exit strategy. By sector, Mercia focuses on Digital & Digital Entertainment, Software & the Internet, Life Sciences & Bio-Sciences, and Electronics, Materials & Manufacturing / Engineering. Investee companies are sourced from internal networks plus fourteen university partners across the Midlands, the North of England and Scotland.

The Price / NTA ratios for these UK based companies are summarised in the following table:

Company	NTA (cps)	Price (cps)	P / NTA (x)
CHP	**3.66**	**1.5**	**0.41x**
GPE	871	853.0	0.98
IPO	115	138.5	1.20
MERC	16.6	40.5	2.44

We note that the P / NTA for these stocks varies from below 1x to above 2x for investment companies with direct access to UK and US research institutions (ie, the seed companies), extensive portfolios comprising a large number of investee companies, large local markets for the seed companies to mature into, and longer histories within this specialised strategy. Again, this justifies our decision to value CHP at a discount to NTA until the investment portfolio grows and diversifies.

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