

**ASX/Media Release**  
**31 October 2017**

## **Quarterly Activity Report - Period ending 30 September 2017**

The Directors of Chapmans Limited (ASX: CHP) (Chapmans, the Company) are pleased to present the Company's Quarterly Activities Report for the period ending 30 September 2017.

Chapmans is an ASX-listed diversified investment company engaged in special situation investments across a diverse range of industry sectors. It seeks to be an active strategic investor in high growth areas of the market. The Company's investment philosophy is 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.

### **QUARTER HIGHLIGHTS**

- **Highly active quarter for core investments:** strong progress achieved by breakthrough cleantech business Syn Dynamics Australia and digital media business 20FOUR
- **New strategic investment in emerging medicinal cannabis sector:** Chapmans invested A\$631,313 for a 50% equity holding in Australian medicinal cannabis holding and investment company, MJ Life Sciences Pty Ltd
- **Investment portfolio rationalised:** Divestment of interests in Digital4ge Pty Ltd and Visual Amplifiers Ltd
- **Capital raise to support further investments:** \$2 million Placement completed and Non-Renounceable Rights Issue to raise up to \$2.037 million undertaken
- **Board strengthened:** Asia-Pacific industrialist and investor, Dato' Muhamad Adlan bin Berhan, appointed an Executive Director

### **SEPTEMBER QUARTER COMMENTARY**

Chapmans enjoyed a highly active September quarter, highlighted by the strong progress made by core businesses in its investment portfolio, including the breakthrough cleantech waste treatment business Syn Dynamics Australia Pty Ltd (SDA) and sports-focused digital media business 20FOUR Media Holdings Pty Ltd (20FOUR). During the quarter Chapmans also made a strategic entry into the rapidly growing global medicinal cannabis sector via a direct equity investment in MJ Life Sciences Pty Ltd (MJLS), an Australian special-purpose company with the aim of becoming a leading global medicinal cannabis holding and investment company.

The Company also completed a Placement which raised \$2 million and announced a Non-renounceable Rights Issue to raise up to \$2,037,500 to fund its ongoing investment activities and to provide working capital. It is noted that the Company's financial performance in the quarter was impacted substantially by one-off legal costs associated with its investment in Digital4ge. These costs totalled \$339,855 and accounted for the large majority of the \$469,000 in administration and corporate costs reported in the Company's Appendix 4C for the September quarter. The Company also continued to provide capital to its core underlying investments in the quarter, pursuant to its investment strategy - Chapmans invested a total of \$1.148 million in its investment portfolio in the quarter, and this also impacted on the quarter's financial result.

## INVESTMENT PORTFOLIO OVERVIEW

### Syn Dynamics Australia Pty Ltd

Subsequent to the quarter, Chapmans announced that cleantech business Syn Dynamics Australia Pty Ltd (SDA) has successfully completed due diligence and formally entered into a Joint Venture Agreement (Joint Venture) with leading APAC region waste and environmental services company, Total Waste Management for SDA's first commercial scale hazardous waste-to-energy plant (ASX announcement 5 October 2017).

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

The Joint Venture is a significant milestone for SDA and its next-generation plasma gasification technology which converts a wide range of waste material into a high value synthetic gas (syngas). It formally brings together SDA's market leading technology with a major waste management operator with the scope to maximise the commercial potential of SDA's technology.

The Joint Venture company (registered as TWM HAZTEK Holdings Pty Ltd) is an equal 50:50 owned entity with equal board representation from both parties, proposed to comprise two board members from each party.

Under the Joint Venture the parties propose to;

- Install and operate a commercial scale plant with a capacity to treat +10,000 tonnes per annum of hazardous waste over a 20 year design life – the plant is expected to be commissioned in H2, calendar year 2018;
- bulk test various waste feedstock samples from a range of existing TWM Asia Pacific customers in order to refine and maximise processing efficiencies for the first commercial scale plant;
- initially focus on hazardous waste from the oil & gas and petrochemical industries;
- utilise the findings of the operation of this initial commercial scale plant to develop further larger scale commercial product offerings, suitable for a range of hazardous waste materials; and
- then install and operate multiple, large scale commercial plants at targeted locations throughout APAC.

The Joint Venture will also obtain relevant permits and environmental approvals required for the construction and processing of waste feedstocks at the commercial scale plant, and additional commercial plants constructed under the Joint Venture.

SDA's breakthrough next generation plasma gasification technology (Plasma Hydrous Pyrolysis, PHP) converts a wide range of waste materials into high value syngas. PHP is able to remediate 100% of hazardous waste feedstocks (excluding any residual metals) into non-hazardous products including syngas compared to other competing technologies which typically achieve significantly lower conversion rates and produce tars and toxic chemicals - which along with exceptionally high energy consumption requirements, limits their mass scale adoption.

Further details are provided in Chapmans ASX announcement of 5 October 2017.

### CSIRO R&D Program – Commercial Scale Pilot Plant

SDA also continued to make strong progress with its R&D and Commercialisation Project with the Commonwealth Scientific and Industrial Research Organization (CSIRO) at CSIRO's Queensland Centre for Advanced Technology (QCAT) research facility. SDA and CSIRO have extended the R&D and testing program and have completed design specifications and plans for a commercial scale pilot plant at QCAT, which is planned to commence operations in the current quarter.

SDA has engaged specialist design and process engineering consulting firm Advisian Pty Ltd, a wholly owned subsidiary of global consulting engineering group Worley Parsons Limited (ASX: WOR), to manage the design, specification, procurement, fabrication and construction of the commercial scale pilot plant at CSIRO's QCAT facility.

The Pilot Plant will have a throughput capacity of 40kg of waste material per hour and represents a key milestone in the technology's successful development process, providing an essential step between its successful laboratory scale batch processing and the first industrial scale commercial plant.

#### \$500,000 R&D Refund

SDA received a refund of \$496,559 from the Federal Government's Research and Development Tax Incentive for the financial year ending 30 June 2017 after the end of the quarter. The 2017 R&D tax refund will be used to continue to advance SDA's development and commercialisation programs for its market leading waste treatment technology.

#### **20FOUR Media Holdings Pty Ltd**

Chapmans has a 39% direct equity interest in 20FOUR, a sports-focused digital media business.

During the current quarter the Company loaned \$200,000 to 20FOUR (item 3.9 in the cash flow statement). Its business model provides fans with exclusive behind the scenes stories in the form of curated athlete feeds and content categories personalising fan access to their favourite sports stars.

The content consists of athlete generated stories and studio produced content delivered via 20FOUR's App-based platform and mobile website as well as its social media platforms.

The business was formally launched in April and has made outstanding progress to date, and highlights from the September quarter included;

- 20FOUR's combined audience grew to more than 20 million social accounts;
- It had logged a total of 20 million video views across the 20FOUR App, website and social channels since launch on 21 April, with month-on-month growth of more than 80%;
- The business completed a number of large scale commercial campaigns involving 20FOUR athlete generated content and studio produced content for high profile big brands, which generated significant revenues; and
- It has a commercial pipeline which reflects the fast growth and engagement with more than 45 global and local media agencies and big brand advertisers.

20FOUR is a one-stop talent, creative, production and media distribution house. It solves a number of critical problems faced by media agencies and brands when looking to engage professional athletes for commercial purposes including; speed to access and secure talent, speed to create and produce content, costs and access to large and highly engaged audiences and distribution channels.

The platform provides sports stars with access to a legitimate new form of income and gives advertisers and brands an entirely new means of reaching millions of fans, quickly and efficiently. The 20FOUR app is available on the Apple and Google Play stores.

#### **MJ Life Sciences Pty Ltd**

In September, the Company completed a strategic investment in MJ Life Sciences Pty Ltd (MJLS) and welcomed MJLS to its investment portfolio. 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.

Chapmans views its direct investment MJLS, which provides it with direct exposure to MJLS's future investments in the global medicinal cannabis sector, as being a highly strategic investment and consistent with its high conviction and capital growth investment philosophy.

Under the terms and conditions of the investment;

- Chapmans has invested \$631,313 (reflecting the AUD equivalent of USD500,00) in exchange for a 50% equity holding in MJLS; and
- Chapmans has the right to equal board representation to the existing MJLS shareholders, and will control 50% of the board.

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 and specialist cannabis medical clinic operator CliniCann Ltd.

Further details on MJLS and Chapmans investment are provided in Chapmans ASX announcements of 25 September, 23 August and 29 August, 2017.

Based on the Company's strategic investment in MJLS, It decided not to pursue it proposed investment in the Aunt Zelda's medicinal cannabis business (initially announced in Chapmans ASX announcement 23 June 2017).

### **Divestment of interests in Digital4ge Pty Ltd and Visual Amplifiers Ltd**

Subsequent to the quarter, the Company announced it had entered into a Binding Share Sale and Purchase Agreement (Agreement) to divest its equity interests in early stage mobile technology development company Digital4ge Pty Ltd (Digital4ge) and social media-driven product placement platform Visual Amplifiers Ltd (VAMP).

Under the Agreement, Chapmans will divest 100% of equity interests in Digital4ge and VAMP to the Ben McGrath Family Trust for a total consideration of \$700,000.

In addition, pursuant to the same Agreement;

- Chapmans will be granted proxy by Digital4ge to assume Digital4ge's voting rights in Reffind Ltd (ASX: RFN). This effectively provides Chapmans with additional voting rights for 48 million shares or 11.08% of Reffind Limited; and
- Digital4ge will sell 100% of its equity interest in Chapmans (5.5 million shares) to Chapmans or its nominee for a total consideration of \$27,500.

Ben McGrath is a founder of Digital4ge Pty Ltd, and is a founder and CEO of VAMP.

The transactions pursuant to this Agreement are expected to be completed by 1 November 2017.

Upon formal completion of the Agreement, all parties to the Agreement will agree to a full, complete and mutual release of all existing court proceedings. All parties will agree to meet their own costs, and all parties will agree to take no further action in respect of existing court proceedings from the date of completion of the Agreement.

## **CORPORATE**

### **\$2 million Placement Completed & Non-Renounceable Rights Issue**

The Company successfully completed a Placement to raise \$2 million via the issue of 400,000,000 fully paid ordinary shares (Shares) at \$0.005 per share (ASX announcement, 16 August 2017), and also announced plans for a Non-renounceable Rights Issue (Rights Issue) of one share for every two shares held, also at \$0.005 per share, to raise up to \$2,037,500.

The Rights Issue was available to Eligible Shareholders as at the record date of 6 October 2017, and Chapmans' directors confirmed their intention to subscribe for their full entitlements under the Rights Issue.

Proceeds raised under the Placement and Rights Issue will be used to:

- fund its existing businesses including SDA's pilot plant and associated operating costs;
- provide capital for new investments by the Company; and
- provide working capital to the Company.

The Company currently has 815,000,057 shares on issue. The maximum number of securities that may be issued under the Offer is 407,500,028 shares. The maximum amount raised by the Offer would be \$2,037,500 if every Eligible Shareholder exercised its rights to purchase New Shares, before expenses.

The Rights Issue closed on 27 October 2017 and new shares are expected to be issued on 3 November 2017 and commence trading on 6 November 2017.

The Directors may at their discretion place any Shortfall to third parties, at not less than the issue price within 3 months of the Closing Date.

Full detail on the Non-renounceable Rights Issue was provided in ASX announcement of 3 October 2017.

### **New Board Appointment**

In August, Chapmans strengthened its board with the appointment of Asia-Pacific industrialist and investor, Dato' Muhamad Adlan bin Berhan, as an Executive Director of the Company with immediate effect.

Dato' Muhamad Adlan bin Berhan has 20 years' experience as a principal investor, owner and operator across a diversified range of industries in India, Dubai, Malaysia, Australia, Singapore and South East Asia. His industry experience stretches across technology manufacturing, agriculture, food processing and distribution, property development and construction.

He brings an extensive network of industrial and investment sector relationships to Chapmans. He will assume a focus on supporting additional investment for Chapmans existing investments as well as developing new investment opportunities in Australia and international markets.

ENDS

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### **About Chapmans**

Chapmans (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. It seeks to be an active strategic investor in high growth areas of the market, and to identify and work with emerging high growth companies. The Company's 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.

## 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")**

30 September 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	1,000
1.2 Payments for		
(a) research and development	(101)	(313)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(9)	(9)
(d) leased assets	-	-
(e) staff costs	(342)	(830)
(f) administration and corporate costs	(469)	(1,024)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(922)</b>	<b>(1,180)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	(1,148)	(2,925)

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	222	1,112
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(926)</b>	<b>(1,813)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	2,063	2,963
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	(203)	(204)
3.5 Proceeds from borrowings	129	519
3.6 Repayment of borrowings	-	(178)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Loans to other entities	(200)	(200)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>1,789</b>	<b>2,900</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	65	99
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(922)	(1,180)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(926)	(1,813)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,789	2,900

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>6</b>	<b>6</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	6	65
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6</b>	<b>65</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

<b>Current quarter \$A'000</b>
342
-

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

**7. Payments to related entities of the entity and their associates**

- 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

<b>Current quarter \$A'000</b>
-
-

N/A



8. <b>Financing facilities available</b> <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. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(400)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(10)
9.4 Leased assets	-
9.5 Staff costs	(327)
9.6 Administration and corporate costs	(270)
9.7 Investments	(250)
<b>9.8 Total estimated cash outflows</b>	<b>(1,257)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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 October 2017.....  
(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.