

24 December 2018

Ms Clare Porta
Adviser, Listings Compliance (Sydney)
ASX Compliance Pty Ltd
Exchange Centre
20 Bridge Street
Sydney NSW 2000

By email: clare.porta@asx.com.au

Dear Clare

Chapmans Limited (CHP or the Company): ASX Query Letter re ADP Capital Sdn Bhd (ADP)

We refer to your query letter dated 18 December 2018 (**ASX Letter**).

Defined terms used in this letter have the meanings ascribed to those terms in the ASX Letter unless otherwise defined in this letter.

1 General comments

The Company refers to the statements made in sections A to I of the ASX Letter and makes the following comments:

(a) **Item B** – The Company is **not** a related party of Capital Mining Limited (CMY) with reference to the definition of that term in the Corporations Act.

Item C & D – The Company notes that pursuant to insolvency law, any party, including a former director of CMY, shareholder or any party is entitled to propose a Deed of Company Arrangement (DOCA).

2 Responses to numbered questions

(a) **Question 1:** The Company presently has not and has never had any relationship or arrangement with ADP as allegedly claimed on the ADP website.

(b) **Question 2, 3 and 4:** Not applicable (given the answer to Question 1 is not 'yes').

(c) **Question 5:** The Company has no involvement in an actual or proposed ICO for 'Exit Factory'.

(d) **Question 6:** Peter Dykes currently resides in Sydney, New South Wales and Kuala Lumpur, Malaysia. Peter spends significant time in Malaysia assisting in the establishment of the Malaysian office, but also spends significant time in Australia.

Yours Sincerely

A handwritten signature in black ink, appearing to be the initials 'PD' followed by a horizontal line.

Peter Dykes
Executive Chairman
Chapmans Limited



18 December 2018

Mr Peter Dykes
Executive Chairman
Chapmans Limited
Level 12
95 Pitt Street
Sydney NSW 2000

By email

Dear Mr Dykes

Chapmans Limited ('CHP' or the 'Company'): ASX Query Letter re ADP Capital Sdn Bhd ('ADP')

ASX Limited ('ASX') refers to the following:

- A. The announcement by Capital Mining Limited ('CMY') titled 'Confirmation of Voluntary Administrators Appointed' released on the ASX Market Announcements Platform ('MAP') on 16 May 2018 which confirmed that voluntary administrators of CMY had been appointed pursuant to s436A of the *Corporations Act 2001* (Cth) ('Corporations Act').
- B. The Second Report to Creditors Under Insolvency Practice Rules (Corporations) 2016 s75-225 dated 13 June 2018 ('Second Creditors' Report') regarding CMY prepared by Andrew Cummins & Peter Krejci of BRI Ferrier (NSW) Pty Ltd as Joint and Several Administrators ('Administrators') which states the following on pages 19-20 in relation to past dealings between CHP and CMY (references to the 'Company' in the following excerpts are references to CMY):

'Chapmans Limited

Chapmans Limited ("Chapmans") is a related entity to the Company of which Mr Dykes and Mr Dunlop are also directors. According to a response dated 29 September 2017 provided by the Company to ASX, the entry into consulting agreements with Chapmans was approved by Mr Torney.

Loan Agreements

According to the Company's audited 2016 Annual Report and the draft 2017 Annual Report, the balance of loans advanced from the Company to Chapmans are listed as below:

| | FY16 | FY17 |
|-------------------|-------------|-------------|
| Loans to Chapmans | \$1,934,683 | \$1,650,000 |

To date, cash repayments totalling \$750,000 have been received in the Company's NAB bank account.

From the books and records provided by ASIC, there is an undated loan agreement which shows the Company executed a loan agreement advancing an unspecified amount to Chapmans. The repayment date was set at 180 days after the date of the agreement bearing an interest rate of 8% per annum (or 16% per annum for overdue amounts). The loan agreement was executed by the Company's directors, Mr Dykes and Mr Torney.

Consultancy Fees

According to the Company's audited 2016 Annual Report and the draft 2017 Annual Report, consulting fees for services provided by Chapmans to the Company are listed as below:

| | FY16 | FY17 |
|---------------------------|-------------|-------------|
| Chapmans' Consulting Fees | \$1,350,000 | \$1,397,861 |

The above consulting fees were offset by loans provided by the Company to Chapmans.

According to the audited 2016 Annual Report, on 30 October 2015 the Company entered into a mandate with Chapmans for the provision of sales, marketing and capital markets initiatives.

The mandate consisted of a monthly fee of \$150,000 (excl. GST) plus a 6% fee on any capital raisings. The agreement expired on 30 September 2016. For the financial year ending 30 June 2016, a total of \$1,350,000 had been charged by Chapmans to the Company.

According to the 2017 draft Annual Report, for the period 1 October 2016 to 31 March 2017 a monthly retainer fee of \$100,000 (excl. GST) plus a 6% fee on any capital raisings was charged to the Company. We have not been provided any mandates in regard to these terms. For the financial year ending 30 June 2017, \$750,000 of retainer fees and \$497,861 of capital raising fees had been charged by Chapmans.

We have been provided an undated Deed of Termination and Release executed by the Company for a Chapmans' mandate dated 1 April 2017. According to the 2017 draft Annual Report a termination fee of \$150,000 was paid to Chapmans.'

ASX also notes that the Second Creditors' Report disclosed that based on the statement as to CMY's business, property, affairs and financial circumstances, CHP was owed \$31,157.44 as an unsecured creditor.

- C. The Supplementary Report to Creditors under Insolvency Practice Rules (Corporations) 2016 s75-225 dated 14 August 2018 ('Supplementary Creditor's Report') regarding CMY prepared by the Administrators which includes discussion of a Deed of Company Arrangement ('DOCA') proposal received by the Administrators from Mr Artem Fedula on 9 August 2018.
- D. The Circular to Creditors dated 7 September 2018 ('Circular') signed by the Administrators which confirms that at a Meeting of Creditors of CMY held on 22 August 2018, creditors passed a resolution requiring CMY to execute a DOCA. ASX understands the proponent of the approved DOCA was Artem Fedula. The Circular referred to the fact that upon effectuation of the DOCA:

'Control of the Company will revert to the Director, Anthony Dunlop. We are informed however that it is not intended the current or former directors will remain as directors going forward.'

The Circular also stated that CHP, as a related unsecured creditor, was excluded from participating in the distribution to creditors from the deed fund.

- E. CMY's announcement titled 'Execution of Deed of Company Arrangement' released on MAP on 7 September 2018 which confirms that the DOCA was executed and that control of CMY was returned to CMY's directors.
- F. CMY's announcement titled 'Restructure Continues with New Board' released on MAP on 17 September 2018 ('September Restructure Announcement') in which CMY advised that:
- with the execution of the DOCA on 7 September 2018, the control of CMY returned to the Directors;
 - as a number of the Board resigned at or around the date of appointment of the voluntary administrators, the remaining director (Anthony Dunlop), appointed Artem Fedula, Alexander Krasnikov and Christian Sese as non-executive directors; and
 - Anthony Dunlop resigned from CMY's board.
- G. ASX's announcement regarding CMY titled 'Removal from Official List' released on MAP on 7 December 2018 advising that:
- CMY has been removed from the Official List of ASX effective from the close of trading on 7 December 2018 in accordance with Listing Rule 17.12; and
 - ASX has been advised by lawyers acting for CMY that Messrs Artem Fedula and Alexander Krasnikov have resigned as directors of CMY.
- H. The former website of ADP which until recently was available at <http://adpcapital.org/> ('ADP Website') and which included the following disclosures:

- *'ADP Capital is a fund of funds and a startup accelerator, based in Kuala Lumpur, Malaysia and Singapore, that aims to catalyze innovative growth of Asia-Pacific, by creating business development and investment opportunities for global companies on local markets.'*
- CHP is listed in sections titled:
 - *'ADP Capital partners, associates and advisors' which, in addition to naming CHP, states that: 'We work with many key players in the industry to provide a wide range of services and advisory support.'*
 - *'ADP Capital partner funds' which states that: 'Chapmans invests in specific proven growth industries where the company has competitive subject matter expertise, knowledge and investor networks. All investments to have proven management and standout market opportunity with clear visibility to one or more exit options often contracted or event driven.'*
- Artem Fedula is ADP's Head of Operations and Alex Krasnikov is ADP's Project Manager.
- ADP's address is:

100-5.003, Block J, 129 Offices, Jaya One
No 72A, Jalan Universiti
46200 Petaling Jaya Selangor
Malaysia
- ADP has two programs for start-ups and established companies which are described as follows:
 - i. *'Business Growth Program - is a one year acceleration program that helps global startups expand and scale their business to the markets of Asia-Pacific (Kuala Lumpur, Singapore, Vietnam, Indonesia, Taiwan, South Korea), connect to regional industry partners and raise capital from local investors.'*
 - ii. *Startup Investment Roadshow is a one-month program with the goal of raising money for your startup project from local investment funds. It is a great opportunity to meet and pitch your project to the local investors and get familiar with the Asia-Pacific market.'*

ASX notes that it would appear that the ADP Website was recently taken down and removed from the web following ASX making enquiries of CMY in relation to the connections between ADP and CHP.

- I. The 'white paper' titled 'Exit Factory: Decentralized Economy of Trendsetting High Income Investments' which had previously been available at the link https://ico.exit-factory.com/docs/white-paper-eng_15-06_c90a.pdf regarding an initial coin offering ('ICO') for 'Exit Factory' scheduled for August 2018 that would appear to have been published by ADP and which names:
 - a) Artem Fedula and Daleri Nasibi (the CEO of ADP) in the 'Founders'/'Founding Team' sections, and as two (out of the three) contacts on the final page of the white paper.
 - b) Mr Anthony Dunlop and Mr Peter Dykes in the 'Advisors' section, together with Mr Tim Lea who was previously the CEO of Reffind Limited, a former CHP investee company.

ASX notes that it would appear that the white paper was recently taken down and removed from the web following ASX making enquiries of CMY in relation to the connections between ADP and CHP.

In addition, ASX notes that the 'Contact Us' webpage on CHP's website as at the date of this letter (<http://www.chapmanslimited.com/contact.html>) states that its Malaysian Office is located at:

100-5.005, Block J, 129 Offices, Jaya One No 72A,
Jalan Universiti
46200 Petaling Jaya, Selangor
Kuala Lumpur

CHP's recent ASX announcements also include the abovementioned Malaysian Office address in the footer. This is the same address as ADP's address previously mentioned on the ADP Website.

Questions and Requests for Information

Having regard to the above, ASX asks CHP to respond separately to each of the following questions and requests for information:

1. Does CHP presently have, or has it previously had, a relationship or arrangement with ADP, as claimed on the ADP Website?
2. If the answer to Question 1 above is 'yes':
 - a) Please provide full details of the relationships or arrangements (past or present) between CHP and ADP.
 - b) Are or were the relationships or arrangements with ADP part of CHP's revised investment approach and activities (as detailed in the announcement titled 'Company Update' released by CHP on MAP on 24 September 2018) which was stated to intend '*to leverage the strengths of its Malaysian shareholder and board connections for the development of fee generating advisory roles and origination of new investment opportunities in line with the Company's revised focus*'?
3. How much revenue (if any) has CHP generated to date from the relationships or arrangements described in the answer to Question 2(a) above, and how much of this revenue has actually been received to date in the form of cash?
4. Has CHP incurred any expenses or made any cash payments to ADP in connection with the relationships or arrangements described in the answer to Question 2(a) above? If the answer to this question is 'yes', what is the quantum of these expenses and cash payments?
5. Did CHP have any involvement in an actual or proposed ICO for 'Exit Factory' referred to in the white paper? If the answer to this question is 'yes', please provide details.
6. ASX understands that Mr Peter Dykes, CHP's Executive Chairman and Company Secretary, has shifted residence to Malaysia. Is this correct?

Once ASX has received and analysed the information above, it is likely to make further enquiries of CHP.

In providing the information above, ASX would remind you that an officer or employee of a listed entity who gives, or authorises or permits the giving of, materially false or misleading information to ASX:

- knowingly, breaches section 1309(1) of the Corporations Act, which is a criminal offence punishable by a fine of up to 200 penalty units and/or imprisonment for up to 5 years; or
- without taking reasonable steps to ensure that the information was not false or misleading, breaches section 1309(2) of the Corporations Act, which is a criminal offence punishable by a fine of up to 100 penalty units and/or imprisonment for up to 2 years.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **12.00 pm AEDT on Monday, 24 December 2018**.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under listing rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent directly to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This will allow ASX to review your response to confirm that it is in a form appropriate for release to the market, before it is published on MAP.

Should you have any queries in relation to the above, please let me know.

Yours sincerely,

Clare Porta
Adviser, Listings Compliance (Sydney)

cc: Tim Flahvin, Thomson Geer