

ASX Release | Chapmans Limited (ASX:CHP)

Chapmans Successfully Raises \$7.34m for New and Existing Investments

Highlights

- Chapmans has successfully completed an oversubscribed capital raise of \$7.34 million via the issue of 917.5 million shares @ \$0.008 per share
- The lead manager for the raise was CPS Capital Group Pty Ltd (CPS)
- Chapmans' directors will invest a further \$750,000 on the same terms subject to shareholder approval
- The funds are to be used for new and existing investments
- Chapmans has entered into a binding term sheet to invest in GPU.One, an established and profitable data processing centre and cryptocurrency mining company based in Canada

26 March 2018: Diversified investment company Chapmans Limited (ASX:CHP) ("Chapmans" or "the Company") is pleased to announce that it has successfully raised \$7.34 million via an oversubscribed share placement. The capital will be used for existing and new investments including, subject to satisfactory due diligence, an investment in Canadian data processing centre and cryptocurrency mining company GPU.One.

The successful completion of the raise will result in the issue of 625,000,000 new shares @ \$0.008 as per Resolution 1 approved at the March 21 shareholder meeting and 292,500,000 new shares @ \$0.008 utilising the Company's 15% capacity under ASX Listing Rule 7.1. The placement shares are expected to be issued on or around 3 April 2018. Each share will be issued with a free attaching option on a 1:1 basis, exercisable at \$0.015 per share on or before the 30th of November 2021. Chapmans' directors have committed to invest on the same terms a further \$750,000 in the Company. These options and the directors' investment are subject to shareholder approval.

Chapmans has entered into an exclusive Lead Manager, Broker and Corporate Advisory Mandate with CPS (the Mandate). Pursuant to the terms and conditions of the Mandate CPS will be paid a management and placement fee of 6%. Under the Mandate and subject to shareholder approval, Chapmans will issue CPS and/or its nominees up to 300 million options exercisable at \$0.015 per share on or before the 30th of November 2021 (Corporate Options). In addition and also subject to shareholder approval Chapmans will issue up to 20 options for every \$1 raised to brokers that introduced investors to the placement (Broker Options).

GPU.One

Chapmans is pleased to announce it has entered into a binding term sheet (the Term Sheet) with a leading Canadian data processing centre and cryptocurrency mining company GPU.One Holding Inc. (GPU.One). The investment is subject to the following:-

- the completion of due diligence (including technical, commercial, legal, financial and taxation due diligence) by Chapmans to its absolute satisfaction; and
- Chapmans obtaining any necessary approvals from its shareholders in accordance with the ASX Listing Rules and/or Corporations Act 2001 (Cth)

Under the agreed terms Chapmans will be issued 50% of the common stock of GPU.One on a fully diluted basis in exchange for CAD7.5 million on completion and a further CAD7.5 million on a deferred basis in accordance with further data centre infrastructure and mining equipment expansion plans.

Chapmans will fund the investment via a combination of existing investment capital including the above-mentioned capital raise, the disposal of existing investments, convertible note funding and/or additional equity capital raises.

GPU.One is an established and profitable data processing and cryptocurrency company focused on mining leading cryptocurrencies including Bitcoin, Ethereum, and Litecoin. GPU.One has facilities in Canada, providing it with a stable and well regulated operating environment with access to sustainable low cost power. GPU.One has strong fundamentals in addition to low cost hydroelectric power with existing substation infrastructure located near its facilities, including a naturally low temperature environment and access to long term low cost properties well suited for data processing and cryptocurrency operations.

GPU.One uses proprietary hardware and software technologies that give it a unique competitive advantage and has strong partnerships with the world's largest ASIC and GPU technology providers. In the event of a significant long term reduction in cryptocurrency values rendering cryptocurrency mining uncommercial, its facilities can be used as a strictly data processing centre only, mitigating much of the risk commonly associated with cryptocurrency investments.

Chapmans Executive Director Anthony Dunlop: "We are very pleased to have completed this successful capital raising. Chapmans has a number of exciting projects in the pipeline, including our recent investment in GPU.One. We now have the capital to execute our strategic plan for 2018 and we look forward to updating the market on our further progress."

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



GPU.ONE - THE SMART CANADIAN CRYPTO MINING COMPANY

SUMMARY PRESENTATION
MARCH 2018

CONFIDENTIAL-INFORMATION NOT FOR CIRCULATION PURPOSES

ABOUT US

Chapmans: ASX-listed
diversified investment company

Our high conviction investment philosophy

- Substantial active positions in fast growth opportunities
- Target aggressive returns through combination of low-entry price, scalability and growth
- Control or influence around short-term liquidity event (18 months)
- Invest in quality teams
- Industry agnostic, focused on financial returns
- Opportunistic, seeking capital uplift

We believe that GPU.One is an excellent investment opportunity that meets all our criteria



GPU.ONE INVESTMENT HIGHLIGHTS

GPU.One is unique

- Established & Profitable Now
- Strong Fundamentals – Power, Temperature, Properties
- Size & Scale – expand to 168MW and beyond
- Smart Proprietary Software Platform
- Supplier relationships & asset selection
- Fleet life cycle management
- Asset backed
- Canada based ...
 - a sophisticated and highly competitive marketplace
 - a highly regulated corp & investment environment
 - safe and reliable long term power supply
 - free of sovereign, capital flow and environmental risks of other exotic alternative jurisdictions

GPU.ONE INVESTMENT HIGHLIGHTS

GPU.One offers rapid growth

- Target TSX Repricing and Liquidity Event

GPU.One has significant potential upside

- Bitcoin & alternative cryptocurrency upside
- Public company exposure and access to cryptocurrencies for investors
- Expert team with focus on maximizing returns from treasury and exchange based activities

01

BACKGROUND: CRYPTOCURRENCY AND MINING

BITCOIN: THE FIRST CRYPTO

Bitcoin is a digital currency (cryptocurrency) based on a decentralized peer-to-peer network leveraging the blockchain

Trust-less Transactions

Anonymous parties world-wide are able to conduct transaction without the need for banks or intermediaries

Globally Secure

Transactions are confirmed and cryptographically secured on the blockchain by a global mining network

Near-instant Settlement

As compared to conventional transactions, settlement is near instantaneous and frictionless

Bitcoin Market Cap

\$152.1 billion

Total Crypto Cap

\$347 billion

Crypto Cap Comparison to Equity Market Scale

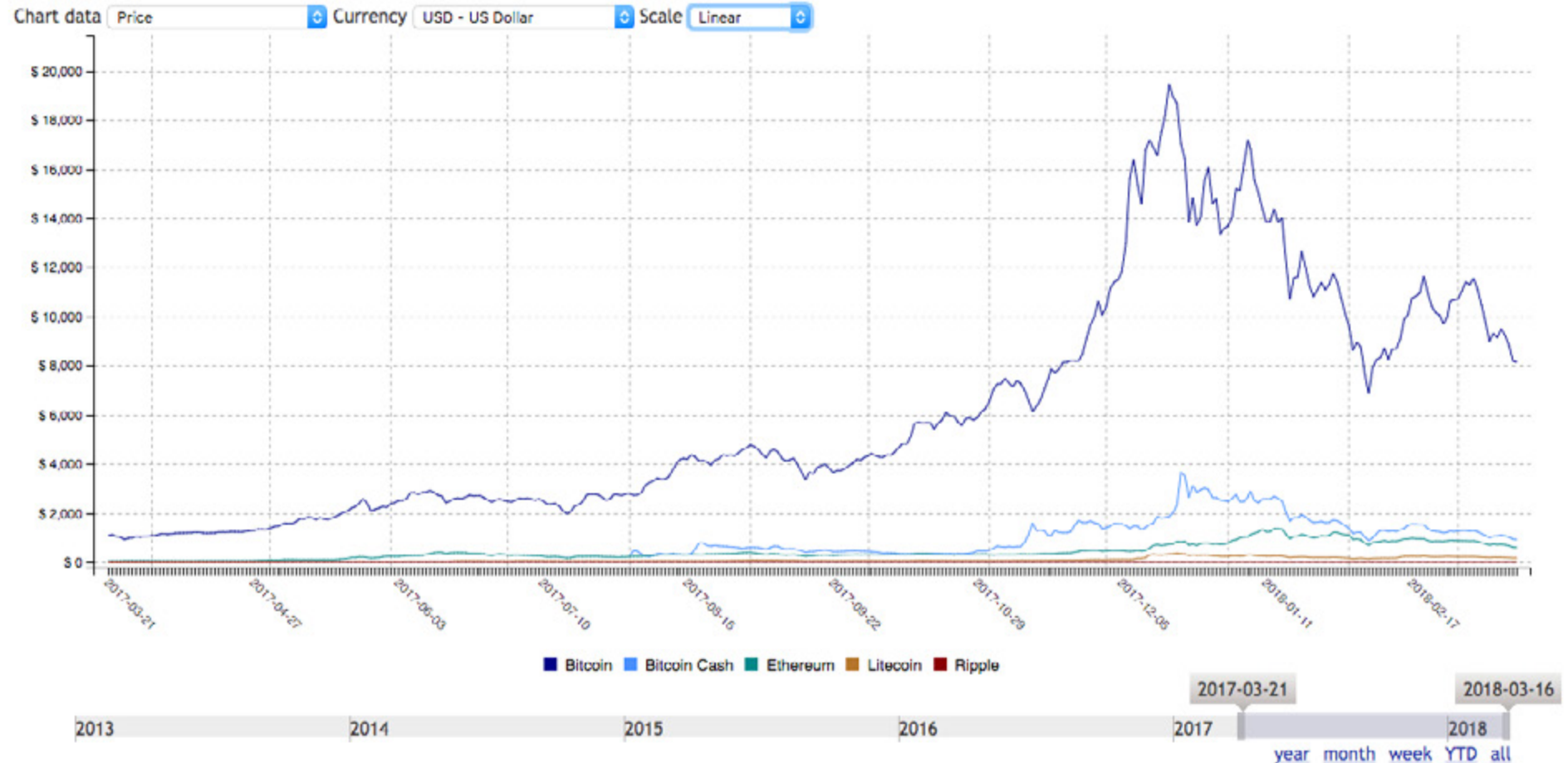
\$.35 trillion vs 118 trillion

Source: CoinMarketCap.com as of March 21, 2018

CRYPTOCURRENCY MARKET RETURNS

TOP 5 CHART - LAST 12 MONTHS

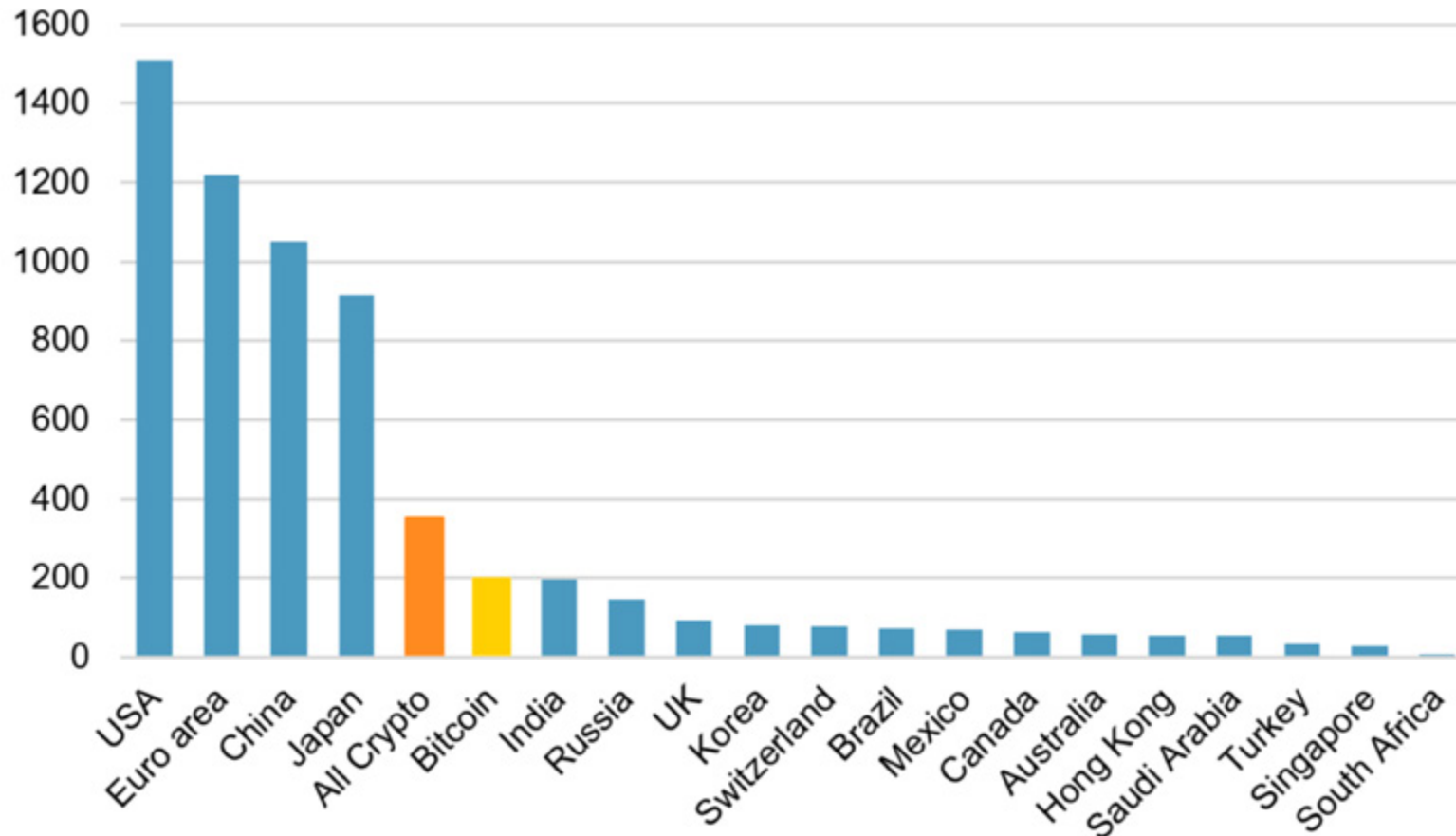
The cryptocurrency market has achieved a **14,659% return** over the past 3 years



Source: CoinMarketCap.com
as of March 16, 2018

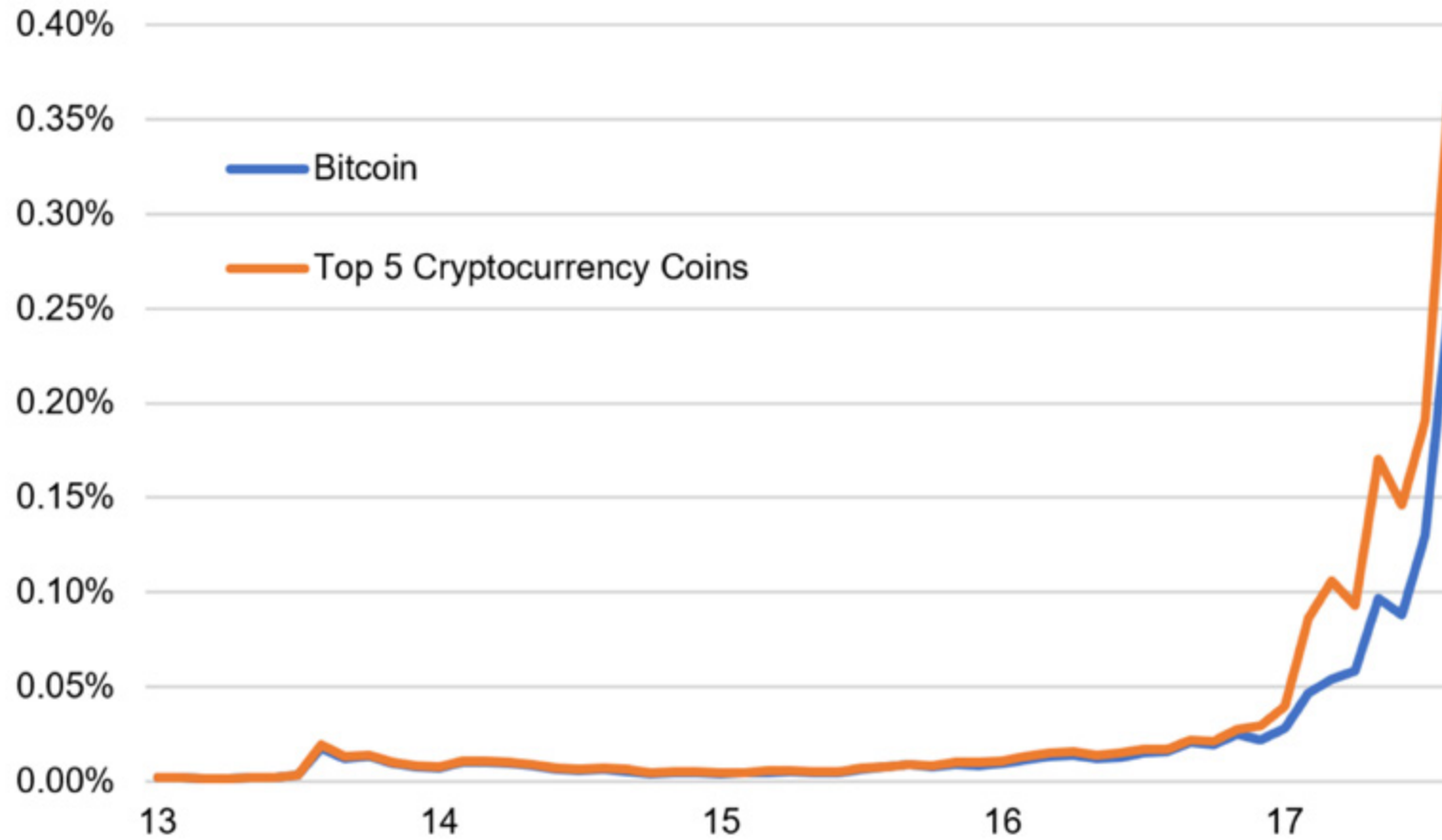
BITCOIN VS GLOBAL CIRCULATING CURRENCY

(USD Billions)



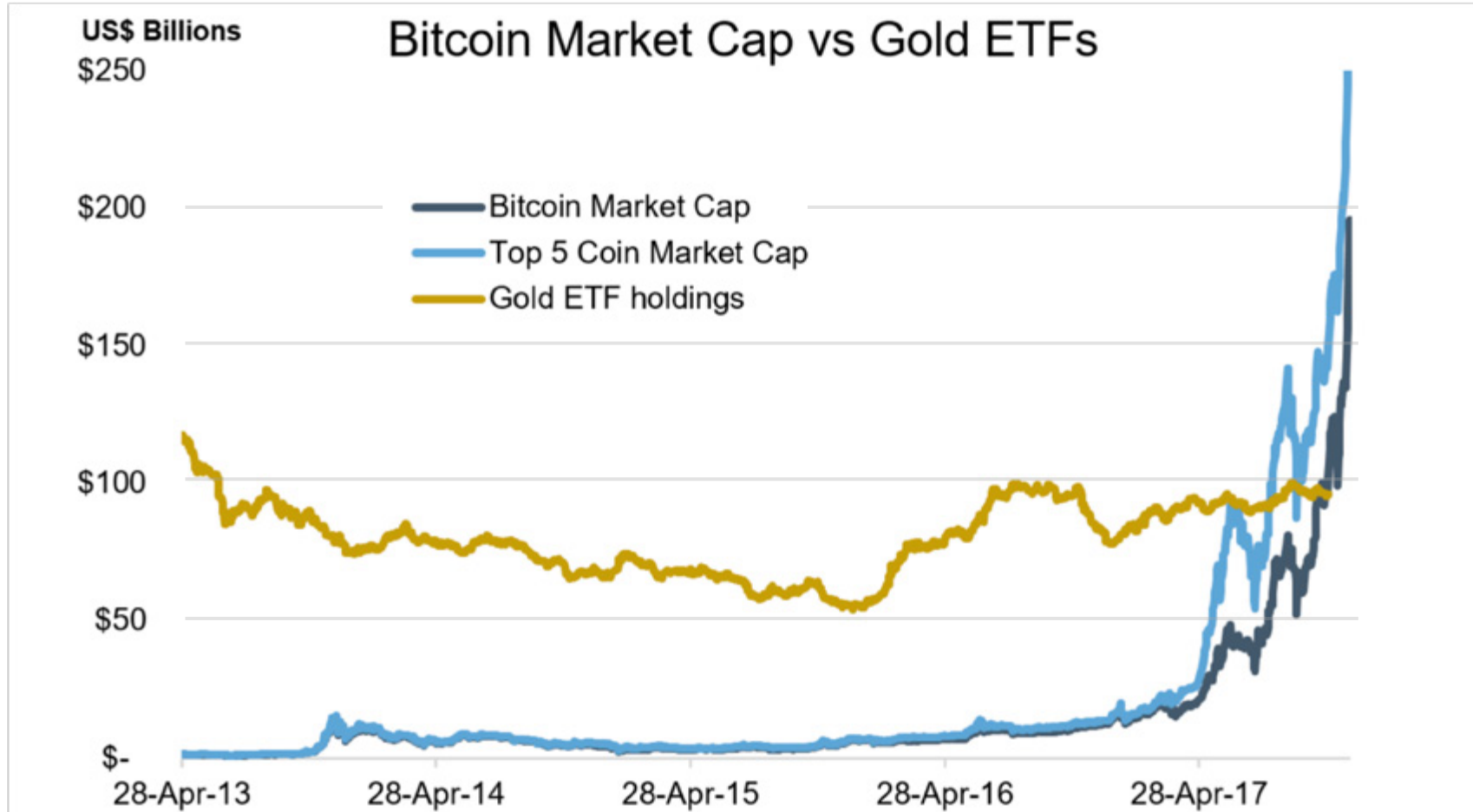
Source: Topdown Charts, Datastream, IMF, BIS, coinmarketcap.com topdowncharts.com

BITCOIN AS A % OF GLOBAL GDP



Source: Topdown Charts, Datastream, IMF, coinmarketcap.com, topdowncharts.com

BITCOIN MARKET CAP VS GOLD ETFS



Source: Topdown Charts,
coinmarketcap.com,
World Gold Council
topdowncharts.com

BLOCKCHAIN TECHNOLOGY

Blockchain is the distributed ledger technology behind cryptos and ensures all transactions that ever existed are recorded and verifiable.



BLOCKCHAIN TECHNOLOGY

Triple Entry Accounting

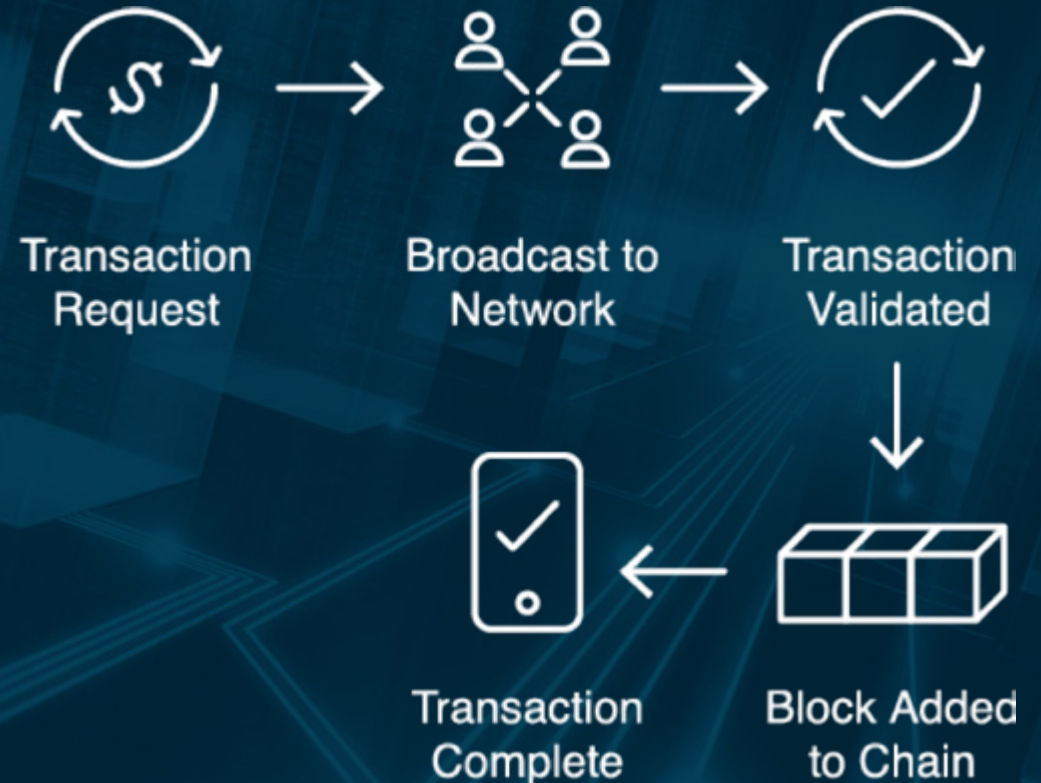
All transactions since the start of the each blockchain have been recorded in an immutable public ledger and verified by the mining network.

Record Any Asset Type

Ownership of any asset from art to legal contracts can be recorded in a globally distributed ledger that is cryptographically secured.

Miner Rewards

Miners are rewarded with coins for verifying transactions on the blockchain and keeping the network secure.



ROLE OF MINERS

Miners compete with one another to be the first to correctly solve the hash and be rewarded the block. This is done by solving for the correct hash to incorporate the block into the blockchain according to certain preset parameters. When a miner is successful, the block is incorporated into the chain, and the miner claims the rewards once the block has been verified by the network.



Transaction Fees

A transaction fee is rewarded to miners who successfully process a block and verify a transaction.

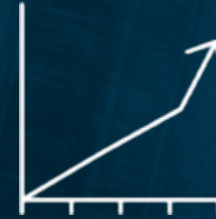


New Coins

Miners are rewarded with the specific cryptocurrency they are mining.

MINING FACTORS

Halving of block rewards and an estimate as to the increasing mining difficulty is accounted for in financial projections.



Mining Difficulty

A transaction fee is rewarded to miners who successfully process a block and verify a transaction.



Technological Obsolescence

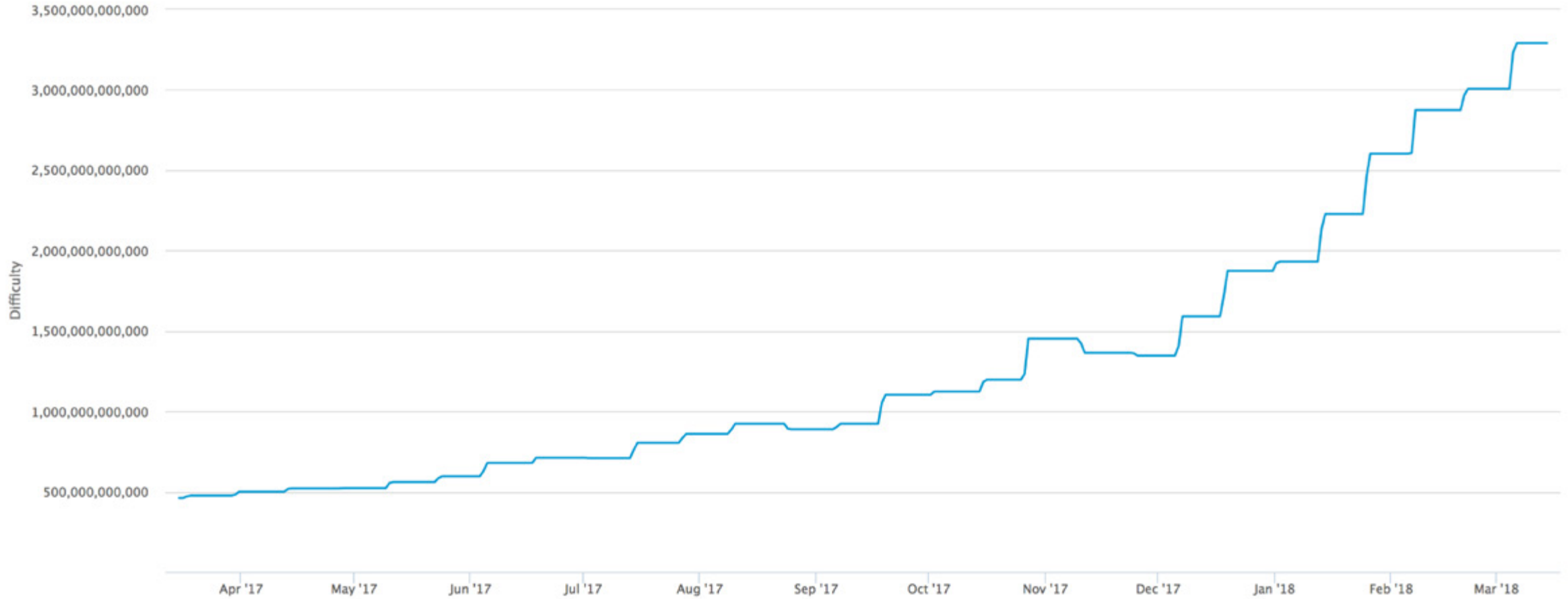
We plan to buy machines on a monthly basis to keep up with the latest technology and use a variety of suppliers.



Block Rewards

The rewards to miners for mining Bitcoin will drop in half in 2020. We have worked this into our projections.

BITCOIN DIFFICULTY (2017)



MINING HARDWARE

Miners use specially-designed hardware to solve computationally intense calculations to try to solve for a block, which are a consolidation of transactions during a time period.



ASIC

Stands for Application Specific Integrated Circuit. These are silicon chips created specifically for mining Bitcoin. They were first created in 2013 and are continuously improving via the technology/hardware. ASICs are designed specifically for mining Bitcoin.



GPU

Stands for Graphical Processing Unit. GPU chips solve complex 3D imaging algorithms in order to be rewarded with the particular cryptocurrency it is mining. GPUs have the option of being able to mine multiple types of cryptocurrencies.

02

GPU ONE

ABOUT GPU.ONE

- Proprietary hardware and software technologies providing unique competitive advantage
- Mines multiple currencies simultaneously using proprietary software (BTC, LTC, ETH, ZCASH and others)
- **Strong manufacturing relationship** – Standing orders with the worlds largest ASIC and GPU manufacturers that ensure consistent supply, even in the absence of supply to our competitors
- Management team with in-depth mining experience
- \$4 Million invested to date by current partners



UNIQUE STRATEGIC POSITION

PEOPLE & RELATIONSHIPS



Highly experienced team involved in large mining operations since 2010



Well established relationships with all key suppliers



Experienced management team, public company experience

MANAGEMENT TEAM



Vladimir Plessovskikh

Chief Executive Officer

CPA, CA, MBA

Senior Partner at several large technology companies. Having worked at Transforce, a public company as well as Ernst and Young as an accounting professional, he has a deep understanding of the technology sector, it's present needs and future direction.



Daniel W.K. Rafuse

Chief Operating Officer

LL.B, LL.L

Former Chairman of the Canadian Pension Tribunal (at the time one of Canada's youngest administrative tribunal judges) and former managing partner of a boutique real estate law firm. Daniel now focuses on the real estate and operational needs of GPU.One bringing his national and international network to the team.



William Gray

Chief Technology Officer

has served as Chief Technology of MPLORE LLC, silicon valleys mobile ad delivery platform for public companies Sprint, Nextel and T-Mobile. He is a global network and software architecture expert. He has been involved in mining operations since 2010.



Dominic Pilon

Data Center Technical Director

CCNA, CCIE, dCAP, RHCE

With 15 years of leadership experience at world class Data Centers operated by Bell Canada and Cogeco telecom, he is an innovator in networking and innovative systems solutions.

SPECIAL ADVISORS



Saveli Kotz
MPLORE LLC



Ari Ramdial
Rhodium Labs

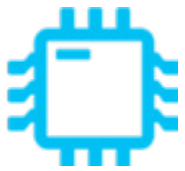


Rumi Guzder
Blocksense



Wenfeng Hu
Domi Chendu

STRONG RELATIONSHIPS WITH KEY SUPPLIERS



ASIC Supplier

- Bitmain: large purchaser relationship
- Bulk pricing as status of Large Purchaser obtained
- Standing order option for a minimum monthly purchase of 1,000 Units
- Ability to increase standing order
- Priority access for third party cancelled orders



STRONG RELATIONSHIPS WITH KEY SUPPLIERS



GPU Supplier

- Two of the top global GPU producers
- Direct relationship through China Based representative
- Standing order of 750 units monthly
- Ability to increase standing order

KEY STRENGTHS

EFFICIENCY & TECHNOLOGY

3.5c
CAD

Among the Lowest
electricity cost and
carbon foot print
on the global market



Low average yearly
temperature (3 C),
reducing cooling
costs



Leveraging proprietary
AI software to optimize
mining yield

PROPRIETARY SOFTWARE

MAJOR COMPETITIVE ADVANTAGE

A proprietary software for optimizing profitability automatically selecting most profitable coins

- Software monitors over 70 exchanges.
- Allocates resources automatically
- Outperforms sites like “whattomine”
- Constantly improves with Artificial Intelligence (AI) and Machine Learning (ML)

Team:

30 software engineers located in Canada and Russia, as well as 5 employees that are involved in day to day Data Center operations.

Under leadership of mining experts with over 10 years of experience

PROPRIETARY SOFTWARE

MAJOR COMPETITIVE ADVANTAGE

Management and monitoring of each individual server throughout the data centers, acting essentially as a one-stop interface

- Software automatically monitors temperature and performance of each sub-part of a mining server
- Software automatically configures all servers on the network
- Software send alerts when performance outside specified parameters

03

GPU.ONE CURRENT FACILITIES

QUÉBEC, CANADA

FACILITY 1 - MIRABEL



QUÉBEC, CANADA

FACILITY 1 - MIRABEL

- Building capacity of 18 Megawatts
- Initial capex of over 40M injected into the building building by previous tenant, most of which consists of core precision room temperature control equipment, high end power supply and control infrastructure - this infrastructure is required for the companies operations
- Military grade security including fully gated complex with checkpoint and RFID access
- 100,000 square foot facility
- Located adjacent to international cargo airport
- Electrical substation located < 5 KM away



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QUÉBEC, CANADA

FACILITY 1 - MIRABEL

Mirabel Data Center

- Total electrical capacity for 11,000 servers for which 20% of the capacity is GPU based and 80% ASIC servers
- Up to 18 Megawatt capacity
- \$15 M infrastructure included in purchase price of \$2.3 M – includes
 - 40ft state-of-the-art roofing system
 - Rack end cooling & air make-up system (12 x aircraft grade jet engine fans)
 - 8,000 amp panel
- Currently leased until 2072 with option to purchase

QUÉBEC, CANADA

FACILITY 2 - SAGUENAY



QUÉBEC, CANADA

FACILITY 2 - SAGUENAY

- Building Capacity 100 MW
- Substantial existing electrical and HVAC equipment
- 40 foot high ceiling, resulting in significantly reduced cooling costs
- 40,000 square foot facility
- Over 500,000 square foot for expansion
- Located within 15 minutes of an airport
- Electrical substation located less than 1 KM away

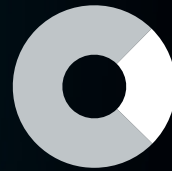


QUÉBEC, CANADA

FACILITY 2 - SAGUENAY

Saguenay Data Center

- Located between two major cities
- Less than 1 KM from a major highway
- Fiber networks available
- Electrical substation less than 1 KM away
- Located in a region with surplus of construction and skilled labor
- Hotel and other living accommodation available around the Data center
- Yearly average Temperature 2.6 C



CHAPMANS
HIGH CONVICTION INVESTMENT



GPU
ONE



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DISCLAIMER

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