

ASX Release | Chapmans Limited (ASX:CHP)

MJ LIFE SCIENCES UPDATE

18 October 2018

The Directors of Chapmans Limited (ASX: CHP) (Chapmans, the Company) are pleased to provide the following update on its investment in medicinal cannabis investment company MJ Life Sciences Pty Ltd (MJLS).

Chapmans currently holds a 50% direct equity interest in MJLS as a result of a strategic investment of US\$500,000 in MJLS by Chapmans last year (ASX announcement, 29 August 2017). MJLS is a special-purpose medicinal cannabis-focused investment company.

In turn, MJLS is a direct investor in Caziwell Inc. (Caziwell) with convertible note rights of up to 49.99% in Caziwell. Caziwell is the owner of certain intellectual property and other rights as well as all the IP for the Aunt Zelda's group and Aunt Zelda's branded cannabis products. Aunt Zelda's is a North American medicinal cannabis brand, Aunt Zelda's, established by Caziwell founder Mara Gordon.

As part of its business model, Caziwell enters into licence agreements with other cannabis sector companies to market and sell Aunt Zelda's branded cannabis products, and also to utilise its patient data relating to the medicinal properties of cannabis and cannabis infused products (including formulations and protocols) for use in research and clinical trials.

Caziwell has to date completed two such licence agreements; one with ASX-listed Zelda Therapeutics Ltd (ASX: ZLD) and another with Canadian Securities Exchange-listed cannabis wellness company, Gabriella's Kitchen Inc. (CSE: GABY), through The Oil Plant Inc. (TOP) also founded by Mara Gordon. TOP is a leading cannabis extractor and infused product manufacturer located in Northern California.

As set out in Note 24 of the 2018 Annual Report for Zelda Therapeutics Limited (Zelda):-

"Caziwell Licence Agreement. On 21 March 2017, Zelda entered into a non-exclusive licence agreement with Caziwell Inc (Caziwell), including Aunt Zelda's Inc (Caziwell Licence Agreement) pursuant to which Caziwell agreed to licence patient data concerning the medicinal properties of cannabis and cannabis infused products, including formulations and protocols (Existing Data), to Zelda for use in pre-clinical research and human clinical trials and related activities." Two formulations have been licensed to date.

"The material terms of the Caziwell Licence Agreement are as follows: a. Payment of a royalty to Caziwell of 5% of net sales by Zelda (commencing on the first day that a product is sold, transferred, rented, leased or distributed by or Zelda) for products in the eczema, breast and brain cancer fields. b. A one-off milestone fee of \$250,000 payable within 7 days of the first dosage by a participant in a Clinical Trial for breast or brain cancer. c. Zelda may grant sub-licences to the Existing Data and any data generated as a result of the research and clinical trials undertaken by Zelda to third parties for the duration of the Licence. In consideration, Zelda is required to pay Caziwell a sub-licence royalty of 10% of the licence fees and payments, including milestone fees, made by sub-licensees to Zelda in the above fields."

On 13 September 2018 Gabriella's Kitchen Inc. (CSE : GABY) announced that it has entered into a definitive agreement to acquire The Oil Plant, Inc. ("TOP") and its associated cannabis licenses. Also included in the acquisition is TOP's line of health and wellness products which includes a line of topicals, tinctures, and concentrates all marketed under the Aunt Zelda's™ brand.

TOP uses a proprietary extraction methodology licensed from Caziwell that allows it to cost effectively extract high grade oil extract from the cannabis plant. Under the license agreement TOP has access to an extensive database of formulations, dosing and associated health attributes to create proprietary and white label products that offer a wide range of health benefits with varying levels of THC and CBD. In return, TOP is contracted to pay license fees to Caziwell of 3% and an additional 3% for co-branded AZ, and AZ branded products.

Ends**For further information please contact:**

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About Chapmans Limited

Chapmans Limited (ASX:CHP) is an ASX-listed diversified investment company engaged in investments across a diverse range of industries, with a focus and expertise in the mobile and advanced industrial technology sectors.

To learn more, please visit: www.chapmanslimited.com