

Chapmans Limited

ACN 000 012 386

NOTICE OF EXTRAORDINARY GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date of Meeting

28 July 2014

Time of Meeting

10:00am

Place of Meeting

Level 10, 52 Phillip Street, Sydney NSW 2000

This Notice of Meeting should be read in its entirety. Shareholders in doubt as to how they should vote should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 2) 9300 3630.

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is hereby given that an Extraordinary General Meeting of the members of Chapmans Limited (**Company**) will be held at Level 10, 52 Phillip Street, Sydney NSW 2000 at 10:00am on 28 July 2014 to consider and, if thought fit, to pass the resolutions set out below.

YOUR VOTE IS IMPORTANT

The business of the Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7.00pm (AEDT) on 27 July 2014.

VOTING IN PERSON

To vote in person, attend the Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

New sections 250BB and 250BC of the Corporations Act came into effect on 1st August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1: RATIFICATION OF PRIOR ISSUE - SHARES

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 150,000,000 Shares on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2: CONSOLIDATION OF CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of section 254H of the Corporations Act, clause 9.1 of the Company's constitution and for all other purposes, the issued capital of the Company be consolidated on the basis that every 10 Shares be consolidated into one Share with the consolidation taking effect on a date announced to the ASX in accordance with the ASX Listing Rules, and where this consolidation results in a fraction of a Share being held by a Shareholder (as the case may be), the directors be authorised to round that fraction up to the nearest whole Share"

3. RESOLUTION 3: PLACEMENT – SHARES

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 350,000,000 Shares on a pre-Consolidation basis (or 35,000,000 Shares on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Ordinary Securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 27 June 2014

By order of the Board
Chapmans Limited



Bruce David Burrell
Company Secretary

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to provide information which the Directors believe to be material to Shareholders deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

1. RESOLUTION 1: RATIFICATION OF PRIOR ISSUE - SHARES

1.1 General

On 4 June 2014, the Company issued 150,000,000 Shares at an issue price of \$0.002 per Share to raise \$300,000. Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of these Shares (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid Ordinary Securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provides that the previous issue did not breach ASX Listing 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue Equity Securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

1.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 150,000,000 Shares were issued;
- (b) the issue price was \$0.002 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to various professional and sophisticated investors; and
- (e) the funds raised from the issue were used to increase the working capital of the Company and to finance future investment opportunities of the Company.

2. RESOLUTION 2: CONSOLIDATION OF CAPITAL

2.1 Background

The Company has a large number of Shares on issue (currently 1,150,000,000) due to historical equity based capital raisings and corporate transactions. Further, if the Resolution 3 Shares are issued the number of Shares on issue will increase to 1,500,000,000 Shares (on a pre-Consolidation basis). For a company of the Company's size, this is a large number of securities to have on issue and it subjects the Company to a number of potential disadvantages including:

- (a) that the Company has a greater number of Shares on issue than many comparable companies, meaning that its Share price is lower for reasons other than valuation;
- (b) negative perceptions associated with a low Share price versus the overall value;
- (c) negative perceptions for potential international investors that generally deal in markets where companies generally have far fewer shares on issue; and
- (d) administrative inconvenience.

To assist in mitigating these disadvantages and to implement a more appropriate capital structure for the Company going forward, the Company proposes to Consolidate its Share capital.

Section 254H of the *Corporations Act* provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number. Resolution 2 seeks shareholder approval to consolidate the number of Shares on issue on a one for ten basis.

2.2 ASX Listing Rule 7.20

ASX Listing Rule 7.20 requires that a company that proposes to reorganise its capital must advise equity security holders in writing of the following:

- (a) the effect of the proposal on the number of securities and the amount unpaid (if any) on the securities;
- (b) the proposed treatment of any fractional entitlements arising from the reorganisation; and
- (c) the proposed treatment of any convertible securities on issue.

The information required by ASX Listing Rule 7.20 is set out below.

2.3 Effect on capital structure

The effect of the Consolidation on the Company's Share structure is as follows (ignoring the effect of fractional entitlements):

	Pre-Consolidation	Post-Consolidation
Number of Shares on issue at the date of this notice	1,150,000,000	115,000,000
Number of Shares on issue after Resolution 3 Shares are issued	1,500,000,000	150,000,000

There are no amounts unpaid on any of the Company's Shares.

Note that the post-Consolidation numbers of Shares set out in the above tables are subject to rounding of fractional entitlements in accordance with section 2.4 below. The precise number of post-Consolidation Shares will depend on the effect of rounding up on each Shareholder's individual holdings in accordance with section 2.4 below.

As the consolidation applies equally to all of the Company's shareholders, individual shareholdings will be reduced in the same ratio as the total number of the Company's shares (subject only to the rounding of fractions). It follows that the consolidation will have no material effect on the percentage interest of each individual shareholder in the Company.

Similarly, the aggregate value of each shareholder's holding (and the Company's market capitalisation) should not materially change – other than minor changes as a result of rounding – as a result of the share consolidation alone (and assuming no other market

movement or impacts occur). However, the price per share can be expected to increase to reflect the reduced number of shares on issue.

2.4 Fractional entitlements and taxation

Not all Shareholders will hold that number of Shares which can be evenly divided by 10. Where a fractional entitlement occurs, the directors will round that fraction up to the nearest whole Share, as the case may be.

It is not considered that any taxation implications will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the Consolidation and either the Company nor its directors (nor the Company's advisers) accept any responsibility for the individual taxation implications arising from the Consolidation.

2.5 Treatment of convertible securities

The Company does not have any convertible securities on issue.

2.6 Holding statements

From the date of the Consolidation, all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post Consolidation basis. After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares to be issued to Shareholders. It is the responsibility of each Shareholder to check the number of Shares held before disposal or exercise (as the case may be).

2.7 Indicative timetable for Consolidation

If Resolution 2 is passed, the Consolidation will take effect in accordance with the following timetable (as set out in the ASX Listing Rules):

Event	Date
Company announces Consolidation and dispatches Notice of General Meeting	27 June 2014
General Meeting held	28 July 2014
Company announces to ASX that Shareholders have approved the Consolidation	28 July 2014
Last day of trading in pre-Consolidation Shares	29 July 2014
Trading in Consolidated Shares will commence on a deferred settlement basis	30 July 2014
Last day for the Company to register transfers on a pre-Consolidation basis	1 August 2014
First Day for the Company to register securities on a post-Consolidation basis First day for the Company to issue holding statement for Shares on a post-Consolidation basis	5 August 2014
Last day to enter Shares into holders security holdings prior to the dispatch of new holding statements	11 August 2014
Normal T+3 trading in post-Consolidation Shares starts on ASX	12 August 2014

Settlement of trades conducted on a deferred settlement basis and first settlement of trades conducted on the normal T+3 basis	15 August 2014
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The above dates are indicative only and are subject to change without notice.

3. RESOLUTION 3: PLACEMENT – SHARES

3.1 General

Resolution 3 seeks Shareholder approval for the issue of up to 350,000,000 Shares on a pre-Consolidation basis (or up to 35,000,000 shares on a post-Consolidation basis) Shares at an issue price of 80% of the VWAP for Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made (**Placement**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary shares securities on issue at the commencement of that 12 month period. The effect of Resolution 3 will be to allow the Company to issue the Shares pursuant to the proposed issue during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

3.2 Technical information required by ASX Listing Rule 7.1.

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue:

- (a) the maximum number of Shares to be issued is 350,000,000 Shares on a pre-Consolidation basis (or 35,000,000 shares on a post-Consolidation basis);
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that they will be issued on one date rather than on a progressive basis;
- (c) the issue price will be not less than 80% of the VWAP for Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made;
- (d) the Directors will determine to whom the Shares will be issued at the time of issue. None of the recipients of the Shares will be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary Shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the proposed issue for working capital and to fund future investment opportunities of the Company.

3.3 Voting Exclusion

A voting exclusion statement is included in this Notice.

4. ENQUIRIES

Shareholders are requested to contact the Company Secretary on (+61 2) 9300 3630 if they have any queries in respect to the matters set out in this Notice.

GLOSSARY

\$ means Australian dollars.

AEDT means Australian Eastern Daylight Time as observed in Sydney, New South Wales.

Extraordinary General Meeting or **Meeting** means the meeting convened by the Notice.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Company means Chapmans Limited (ACN 000 012 386).

Consolidation means the proposed consolidation of the number of Shares on issue on a one for 10 basis.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Memorandum and the Proxy Form.

Option means an option to acquire a Share.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

VWAP means volume weighted average price.

Corporate directory

A.C.N. 000 012 386

Directors

Peter Dykes – Executive Chairman
Bruce David Burrell – Non-Executive Director
Anthony Dunlop – Executive Director

Company Secretary

Bruce David Burrell

Registered Office and Principal Place of Business

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Share Register

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T: (02) 9290 9600
F: (02) 9279 0664

Securities Exchange Listing

ASX Code: CHP