

Chapmans Limited

ACN 000 012 386

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date of Meeting

29 May 2015

Time of Meeting

10:00am

Place of Meeting

Level 4, 95 Pitt 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 Annual General Meeting of the members of Chapmans Limited (**Company**) will be held at Level 4, 95 Pitt Street, Sydney NSW 2000 at 10:00am on 29 May 2015 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 10:00am (AEST) on 27 May 2015.

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.

Shareholders and their proxies should be aware that under sections 250BB and 250BC of the Corporations Act:

- 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 this 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. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 31 December 2014 together with the Directors' declaration, the Directors' report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **non-binding resolution**:

"That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 31 December 2014."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (d) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2: ELECTION OF DIRECTOR – CRAIG SEYMOUR

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

"That, Mr Craig Seymour, having been appointed as a Director since the last Annual General Meeting and who retires in accordance with clause 12.7(b) of the Constitution and being eligible, offers himself for election, be elected as a Director of the Company"

4. **RESOLUTION 3: RE-ELECTION OF DIRECTOR – PETER DYKES**

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

"That, Mr Peter Dykes, who compulsorily retires in accordance with clauses 12.11(a)(i) and 12.12(a) of the Constitution, and being eligible, offers himself for re-election, be re-elected as a Director of the Company."

5. **RESOLUTION 4: 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 allot and issue up to 600,000,000 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 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.

6. **RESOLUTION 5: ISSUE OF SHARES TO PETER DYKES**

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 10.11 and for all other purposes, approval is given for the Company to allot and issue up to 125,000,000 Shares to Mr Peter Dykes, a director of the Company, on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Peter Dykes and any of his associates. 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.

7. **RESOLUTION 6: ISSUE OF SHARES TO ANTHONY DUNLOP**

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 10.11 and for all other purposes, approval is given for the Company to allot and issue up to 125,000,000 Shares to Mr Anthony Dunlop, a director of the Company, on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Anthony Dunlop and any of his associates. 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.

8. **RESOLUTION 7: APPROVAL OF ADDITIONAL CAPACITY TO ISSUE SHARES UNDER ASX LISTING RULE 7.1A**

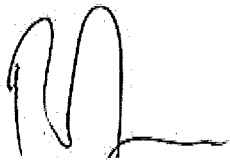
To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **special resolution**:

"That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the Company having the additional capacity to issue securities under Listing Rule 7.1A 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 this 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: 29 April 2015

By order of the Board
Chapmans Limited



Peter Dykes
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. FINANCIAL STATEMENTS AND REPORTS – AGENDA ITEM

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 31 December 2014 together with the Directors' declaration, the Directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available from the registered office of the Company

2. RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

Under changes to the Corporations Act which came into effect on 1st July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the previous financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the Remuneration Report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

2.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

If you appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy -

You must direct your proxy how to vote on this Resolution. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

If you appoint the Chair as your proxy (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member)-

You ***do not*** need to direct your proxy how to vote on this Resolution. However, if you do not direct the Chair how to vote, ***you must mark the acknowledgement on the Proxy Form to expressly authorise the Chair to exercise his/her discretion in exercising your proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.***

If you appoint any other person as your proxy -

You ***do not*** need to direct your proxy how to vote on this Resolution, and you ***do not*** need to mark any further acknowledgement on the Proxy Form.

3. RESOLUTION 2: ELECTION OF DIRECTOR – CRAIG SEYMOUR

3.1 General

Clause 12.7(b) of the Company's constitution provides that any person appointed to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, holds office until the conclusion of the next Annual General Meeting but is eligible for election at that Annual General Meeting.

Craig Seymour, having been appointed by the board as a non-executive director of the Company on 19 February 2015, retires and seeks re-election to the Board.

3.2 Profile

Craig Seymour is the Managing Director and Senior Consultant for BPS Advisory.

He started his career with Australia's leading insolvency firm in 1995 and has worked on over 400 insolvency and forensic investigation files and some 300 consulting files involving businesses across a broad range of industries and has held senior executive roles in businesses with turnover exceeding \$600 million per annum.

He is a Chartered Accountant and a Certified Practising Marketer with 19 years of insolvency management, commercial strategy, business turnaround and consulting experience. Craig has a Bachelor of Commerce degree from the University of Tasmania, majoring in accounting and finance, was national dux of the CPA Australia 1996 Insolvency course, and holds a Master of Marketing degree from Monash University, was named 2006 Tasmanian Marketer of the Year for his work in racing and wagering and is currently undertaking a Master of Laws degree.

The Directors (other than Mr Craig Seymour) recommend that Shareholders vote in favour of this Resolution.

4. RESOLUTION 3: RE-ELECTION OF DIRECTOR – PETER DYKES

4.1 General

Clause 12.11(a)(i) of the Company's Constitution provides that at each Annual General Meeting, one-third of the Directors for the time being (excluding casual appointees and the Managing Director) must retire from office.

In accordance with clause 12.12(a) of the Company's Constitution, the specific Directors to retire at any Annual General Meeting must be those who have been longest in office since their last election.

Peter Dykes, being the longest serving Director since his last election, retires and seeks re-election to the Board.

4.2 Profile

Peter has more than 20 years of experience in the technology industry, beginning his career as a founding member of KPMG's technology advisory practice in both Sydney and Melbourne. He subsequently co-founded a boutique technology advisory business and advised some of Australia's largest corporate clients including BHP, Boral, Telstra and General Motors Holden.

Peter was an Executive Director, CFO and Company Secretary of Nexbis Ltd and played a key role during its rise from a market capitalisation of \$4 million until its successful sale for \$80 million.

He is currently a non-executive director of Exalt Resources Limited and is Chairman of the Company.

Peter holds a Bachelor of Business (Accountancy) degree from RMIT University and is a Fellow of the Taxation Institute of Australia.

5. RESOLUTION 4: PLACEMENT – SHARES

5.1 General

Resolution 4 seeks Shareholder approval for the allotment and issue of up to 600,000,000 Shares at an issue price of the lower of \$0.002 per share or 85% of the VWAP of the Company's Shares on the last five days prior to the issue of the shares the subject of this Resolution.

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 4 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.

5.2 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 600,000,000;
- (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 the lower of \$0.002 per Share or 85% of the VWAP of the Company's Shares on the last five days prior to the issue of the shares the subject of this Resolution;
- (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, and will be professional and sophisticated Investors;
- (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 apply the funds raised from the proposed issue to pay-down the Company's debt and to fund working capital.

6. RESOLUTION 5: ISSUE OF SHARES TO PETER DYKES

6.1 General

Resolution 5 seeks Shareholder approval under ASX Listing Rule 10.11 to the issue of 125,000,000 Shares to Peter Dykes, who is a Director and therefore a related party of the Company. The issue will raise \$250,000.

ASX Listing Rule 10.11 requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the Company or a related party, is in the ASX's opinion, such that approval should be obtained from the shareholders of the company, unless an exception in ASX Listing Rule 10.12 applies.

The Directors are of the view that the exceptions set out in ASX Listing Rule 10.12 do not apply to the issue of Shares to Peter Dykes.

Therefore, shareholder approval for the issue of Shares to Peter Dykes under ASX Listing Rule 10.11 is required.

The information required by ASX Listing Rule 10.13 in respect of the Shares to be issued to Peter Dykes is set out below in section 6.4.

6.2 Shareholder approval under ASX Listing Rule 7.1 not sought

ASX Listing Rule 7.2 provides that shareholder approval under ASX Listing Rule 7.1 is not required to the issue of securities to related parties approved under ASX Listing Rule 10.11 (exception 14).

Accordingly, the issue and allotment of Shares to Peter Dykes will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

6.3 Shareholder approval under Chapter 2E of the Corporations Act not sought

For a public company, or an entity that a public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 221 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 apply.

A 'financial benefit' for the purposes of the Corporations Act also has a wide meaning and catches the issue of the Shares to Peter Dykes. As established above at section 6.1 of the Explanatory Memorandum, Peter Dykes is a related party of the Company.

Consequently, the issue of the Shares to Peter Dykes, will for the purposes of Chapter 2E of the Corporations Act, constitute giving a financial benefit to a related party of the Company.

It is the view of the Directors that the giving of the financial benefit to Peter Dykes as a related party of the Company is on reasonable arm's length terms and falls within the exception in section 210 of the Corporations Act. Accordingly, shareholder approval for the purposes of Chapter 2E of the Corporations Act is not being sought.

6.4 Technical information required by ASX Listing Rule 10.13.

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue:

- (a) 125,000,000 Shares will be issued to Peter Dykes;
- (b) the issue price will be \$0.002 per Share;
- (c) the Shares will be allotted within 1 month of the date of the Meeting (or such later date as approved by the ASX);
- (d) 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
- (e) the Company intends to apply the funds raised from the proposed issue to pay-down the Company's debt.

7. RESOLUTION 6: ISSUE OF SHARES TO ANTHONY DUNLOP

7.1 General

Resolution 6 seeks Shareholder approval under ASX Listing Rule 10.11 to the issue of 125,000,000 Shares to Anthony Dunlop, who is a Director and therefore a related party of the Company. The issue will raise \$250,000.

ASX Listing Rule 10.11 requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the Company or a related party, is in the ASX's opinion, such that approval should be obtained from the shareholders of the company, unless an exception in ASX Listing Rule 10.12 applies.

The Directors are of the view that the exceptions set out in ASX Listing Rule 10.12 do not apply to the issue of shares to Anthony Dunlop.

Therefore, shareholder approval for the issue of Shares to Anthony Dunlop under ASX Listing Rule 10.11 is required.

The information required by ASX Listing Rule 10.13 in respect of the Shares to be issued to Anthony Dunlop is set out below.

7.2 Shareholder approval under ASX Listing Rule 7.1 not sought

ASX Listing Rule 7.2 provides that shareholder approval under ASX Listing Rule 7.1 is not required to the issue of securities to related parties approved under ASX Listing Rule 10.11 (exception 14).

Accordingly, the issue and allotment of Shares to Anthony Dunlop will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

7.3 Shareholder approval under Chapter 2E of the Corporations Act not sought

For a public company, or an entity that a public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 221 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 apply.

A 'financial benefit' for the purposes of the Corporations Act also has a wide meaning and catches the issue of the Shares to Anthony Dunlop. As established above at section 6.1 of the Explanatory Memorandum, Anthony Dunlop is a related party of the Company.

Consequently, the issue of the Shares to Anthony Dunlop, will for the purposes of Chapter 2E of the Corporations Act, constitute giving a financial benefit to a related party of the Company.

It is the view of the Directors that the giving of the financial benefit to Anthony Dunlop as a related party of the Company is on reasonable arm's length terms and falls within the exception in section 210 of the Corporations Act. Accordingly, shareholder approval for the purposes of Chapter 2E of the Corporations Act is not being sought.

7.4 Technical information required by ASX Listing Rule 10.13.

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue:

- (a) 125,000,000 Shares will be issued to Anthony Dunlop;
- (b) the issue price will be \$0.002 per Share;
- (c) the Shares will be allotted within 1 month of the date of the Meeting (or such later date as approved by the ASX);
- (d) 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
- (e) the Company intends to apply the funds raised from the proposed issue to pay-down the Company's debt.

8. RESOLUTION 7: APPROVAL OF ADDITIONAL CAPACITY TO ISSUE SHARES UNDER LISTING RULE 7.1A

8.1 General

ASX Listing Rule 7.1A permits eligible entities to seek shareholder approval by special resolution at an Annual General Meeting to issue an additional 10% of issued capital by way of placements over a 12 month period (**10% Placement Capacity**). The additional 10% placement capacity is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1.

The effect of Resolution 7 will be to allow the Directors to issue equity securities under ASX Listing Rule 7.1A during the period of 12 months following the Annual General Meeting without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

8.2 Eligibility

An eligible entity under ASX Listing Rule 7.1A is one which has a market capitalisation of \$300 million or less and is not included in the S&P / ASX 300 Index. The Company is an eligible entity for the purposes of ASX Listing Rule 7.1A.

The Company hereby seeks shareholder approval by way of a special resolution to have the ability to issue equity securities under the 10% Placement Capacity.

The exact number of equity securities that may be issued pursuant to the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 which provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of equity securities calculated as follows:

$$(A \times D) = E$$

where:

A is the number of fully paid ordinary securities on issue 12 months before the date of issue or agreement:

- (a) plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
- (b) plus the number of partly paid shares that became fully paid in the 12 months;
- (c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under ASX Listing Rule 7.1 or 7.4. This does not include an issue of fully paid shares under the Company's 15% placement capacity without shareholder approval;
- (d) less the number of fully paid shares cancelled in the 12 months;

Note that A has the same meaning in the ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of equity securities issued or agreed to be issued under rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of ordinary securities under Rule 7.1 or 7.4.

Any equity securities issued under the 10% Placement Capacity must be in an existing quoted class of the Company's equity securities. The Company presently has only one class of quoted securities being fully paid ordinary shares.

If the Company issues any equity securities under the 10% Placement Capacity, the entity must, pursuant to ASX Listing Rules 7.1A.4 and 3.10.5A:

- (a) give to the ASX a list of the allottees of the equity securities and the number of equity securities caused to be allotted to each (but this list is not required to be released to the market); and
- (b) disclose to the market the details of the dilution to the existing holders of ordinary securities caused by the issue; where the equity securities are issued for cash consideration, a statement of the reasons why the eligible entity issued the equity securities as a placement rather than as a pro rata issue; the details of any underwriting arrangements and fees payable to the underwriter; and any other fees or costs incurred in connection with the issue.

8.3 Technical information required by ASX Listing Rule 7.3A

(a) Minimum price

Any equity securities issued by the Company under ASX Listing Rule 7.1A can only be issued at a price that is no less than 75% of the VWAP for securities in that class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the securities are to be issued is agreed; or
- (ii) the date on which the securities are issued if the securities are not issued within five trading days of the date on which the issue price is agreed.

(b) Dilution to existing security holders

If Resolution 7 is approved by shareholders and the Company issues securities under the 10% Placement Capacity, the additional economic and voting interests in the Company will be diluted. There is a risk that the market price of the Company's securities may be significantly lower on the issue date than on the date of the Annual General Meeting and the securities may be issued at a price that is at a discount to the market price on the issue date.

The table below shows a number of hypothetical scenarios for a 10% placement as required by ASX Listing Rule 7.3A.2 where the number of the Company's shares on issue (variable "A" in the formula in ASX Listing Rule 7.1A.2) has remained current or increased by either 50% or 100% and the share price has decreased by 50%, remained current or increased by 100% based on the closing share price on ASX at 21 April 2015.

| Number of shares on issue Variable "A" | Additional 10% placement Shares issued & funds raised | Dilution | | |
|---|--|--|-------------------------------------|--|
| | | \$0.001 | \$0.002 | \$0.004 |
| | | Issue price at half current market price | Issue price at current market price | Issue price at double current market price |
| Current 250,000,000 | Shares issued | 25,000,000 | 25,000,000 | 25,000,000 |
| | Funds raised | \$25,000 | \$50,000 | \$100,000 |
| 50% increase 375,000,000 | Shares issued | 37,500,000 | 37,500,000 | 37,500,000 |
| | Funds raised | \$37,500 | \$75,000 | \$150,000 |
| 100% increase 500,000,000 | Shares issued | 50,000,000 | 50,000,000 | 50,000,000 |
| | Funds raised | \$50,000 | \$100,000 | \$200,000 |

The dilution table uses the following assumptions which the Company does not represent will necessarily occur:

- (i) the Company issues the maximum number of securities available under the additional 10% placement;
- (ii) the table shows only the effect of issues of securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1;
- (iii) the 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%;
- (iv) the table does not show an example of dilution that may be caused to a particular shareholder by reason of the placements under ASX Listing Rule 7.1A, based on that shareholder's holding at the date of the Annual General Meeting; and
- (v) the issue price at current market price is the closing price of the shares on the ASX on 21 April 2015.

(c) **10% placement period**

Shareholder approval under ASX Listing Rule 7.1A is valid from the date of the Annual General Meeting until the earlier of:

- (i) 12 months after the Annual General Meeting; or
- (ii) the date of approval by shareholders of a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking).

(d) **Purpose of 10% additional placement**

The Company may seek to issue securities under the 10% placement for either:

- (i) Cash consideration. The Company may use the funds for working capital, towards potential transactions or for other corporate purposes deemed by the Board to be in the best interests of the Company; or
- (ii) Non-cash consideration for transactions deemed by the Board to be in the best interests of the Company. In such circumstances the Company will release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the securities complies with ASX Listing Rule 7.1A.3.

The Company will comply with any disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon the issue of any securities under ASX Listing Rule 7.1A.

(e) **Allocation policy**

The Company's allocation policy is dependent upon the prevailing market conditions at the time of any proposed issue pursuant to the 10% placement. The identity of allottees of equity securities will be determined on a case by case basis having regard to factors including but not limited to the following:

- (i) the methods of raising funds that are then available to the Company;
- (ii) the effect of the issue of the equity securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from professional and corporate advisers (if applicable).

Allottees under the 10% placement have not been determined as at the date of this Notice of Meeting and may include existing and/or new security holders but cannot include any related parties or associates of a related party of the Company.

(f) **Previous Issues of Securities**

The Company has not previously obtained shareholder approval to have the additional capacity to issue equity securities under ASX Listing Rule 7.1A.

(g) **Voting exclusion**

A voting exclusion statement is included in the Notice of Meeting. At the date of the Notice of Meeting the Company has not invited and has not determined to invite any particular existing security holder or an identifiable class of existing security holders to participate in an offer under ASX Listing Rule 7.1 A. Therefore no existing security holder will be excluded from voting on item 7.

9. 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.

10% Placement Capacity has the meaning set out in section 8.1.

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

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

ASX means ASX Limited.

ASX Listing Rules means the ASX 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.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

Company means Chapmans Limited (ACN 000 012 386).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

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.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

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.

Remuneration Report means the remuneration report set out in the Directors' report section of the Company's annual financial report for the year ended 31 December 2014.

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
Anthony Dunlop – Executive Director
Craig Seymour – Non-Executive Director

Company Secretary

Peter Dykes

Registered Office and Principal Place of Business

Level 12, 95 Pitt Street
Sydney
New South Wales
T: (02) 8249 8279
F: (02) 8249 8101
E: <http://www.chapmansltd.com>

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
T: (08) 9315 2333
F: (08) 9315 2233

Securities Exchange Listing

ASX Code: CHP

«EFT_REFERENCE_NUMBER»

+

CHAPMANS LIMITED

ACN: 000 012 386

REGISTERED OFFICE:

LEVEL 12
95 PITT STREET
SYDNEY NSW 2000

+

SHARE REGISTRY:

Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535, APPLECROSS WA 6953
AUSTRALIA
770 Canning Highway, APPLECROSS WA 6153
AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

«HOLDER_NAME»
«ADDRESS_LINE_1»
«ADDRESS_LINE_2»
«ADDRESS_LINE_3»
«ADDRESS_LINE_4»
«ADDRESS_LINE_5»

Code: **CHP**

Holder Number: **«HOLDER_NUM»**

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

VOTE ONLINE

Lodge your proxy vote securely at www.securitytransfer.com.au
1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

«ONLINE»

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

☐

The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 10:00am AEST on Friday 29 May 2015 at Level 4, 95 Pitt Street, Sydney NSW 2000 and at any adjournment of that meeting.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

RESOLUTION

| | For | Against | Abstain* |
|--|--------------------------|--------------------------|--------------------------|
| 1. ADOPTION OF REMUNERATION REPORT | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. ELECTION OF DIRECTOR - CRAIG SEYMOUR | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. RE-ELECTION OF DIRECTOR - PETER DYKES | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. PLACEMENT - SHARES | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. ISSUE OF SHARES TO PETER DYKES | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. ISSUE OF SHARES TO ANTHONY DUNLOP | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. APPROVAL OF ADDITIONAL CAPACITY TO ISSUE SHARES UNDER ASX LISTING RULE 7.1A | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. * If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Sole Director & Sole Company Secretary

Security Holder 2

Director

Security Holder 3

Director/Company Secretary

Proxies must be received by Security Transfer Registrars Pty Ltd no later than 10:00am AEST on Wednesday 27 May 2015.

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My/Our contact details in case of enquiries are:

Name:

Number:

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1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- b) Return both forms in the same envelope.

5. SIGNING INSTRUCTIONS

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

Security Transfer Registrars Pty Ltd

Online www.securitytransfer.com.au

Postal Address PO BOX 535
Applecross WA 6953 AUSTRALIA

Street Address Alexandria House
Suite 1, 770 Canning Highway
Applecross WA 6153 AUSTRALIA

Telephone +61 8 9315 2333

Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.