

Chapmans Limited

ACN 000 012 386

AMENDED 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) 8249 8279.

CONTENTS PAGE

Business of the Meeting (setting out the proposed resolutions)	4
Explanatory Memorandum (explaining the proposed resolutions)	7
Glossary	24
Proxy Form	attached

IMPORTANT INFORMATION

INFORMATION ABOUT THIS AMENDED NOTICE

This Notice is an amended notice of Annual General Meeting issued pursuant to a court order made by the Supreme Court of New South Wales on 4 May 2015. This Notice specifies additional business to be conducted at the Meeting, particularly, Resolution 7 has been included and associated information has been provided in section 8 of the Explanatory Memorandum and in the Annexure. The Directors note that the Glossary has been updated to refer to defined terms used in the additional information. All other items of business and associated information in the Explanatory Memorandum have not been amended.

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: ISSUE OF CONVERTIBLE NOTE TO THE LENDER

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

"That, for the purposes of ASX Listing Rule 7.1, section 611, item 7 of the Corporations Act 2001 and for all other purposes, approval is given for the Company to issue a Convertible Note to Peter Koadlow as executor of the estate of the late Elsie Koadlow on the terms and conditions set out in the Explanatory memorandum and to issue Shares in accordance with the terms of that Convertible Note in the event that the Noteholder exercises the option to convert the Note into Shares."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by the Lender, Peter Michael Kenneth Koadlow and PSK Consulting Pty Ltd ACN 134 890 421 as trustee of the Koadlow Superannuation Fund and any other 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 and any of their 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.

9. RESOLUTION 8: 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: 6 May 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: ISSUE OF CONVERTIBLE NOTE TO THE LENDER

8.1 General

On 19 February 2015, the Directors and the Company entered into a Compromise and Release Deed with the Lender (**CR Deed**) to document arrangements for the repayment of debts that were due and payable to the Lender on 24 February 2014 under a loan facility agreement.

Under the terms of the CR Deed, the parties agreed that the debts would be compromised on the Company:

- (a) transferring 28,896,570 fully paid ordinary shares in Tempo Australia Ltd to the Lender;
- (b) issuing to the Lender 27,335,000 Shares; and
- (c) issuing a convertible note to the Lender with face value of \$1,200,000 (this amount being equal to a portion of the debts owed to the Lender) convertible into Shares at a conversion price of 85% of the VWAP of the closing sale price of the Shares on the last five trading days immediately prior to the date the Lender serves a notice to exercise its right to convert the Convertible Note.

As of the date of this Notice, items (a) and (b) have been completed.

8.2 Forced sale of shareholding in Digital4ge

The Directors wish to note that one of the Company's wholly owned subsidiaries (ACN 600 838 873 Pty Ltd) (**Relevant Subsidiary**) holds a substantial shareholding in Digital4ge Pty Ltd (ACN 163 593 011) (**Digital4ge**) (**Digital4ge Shareholding**).

The Digital4ge Shareholding is governed by a shareholder's agreement under which the other shareholders of Digital4ge will have the right to force the transfer of the Digital4ge Shareholding to the other shareholders in the event of a change of control of the Company at the market value of the Digital4ge Shareholding as determined by an independent valuer (**Forced Sale Rights**).

The Directors consider that if Shareholders approve the issue of the Convertible Note and the Convertible Shares (on the exercise of the Convertible Note), and the Lender exercises its right to convert the Convertible Note, the other shareholders of Digital4ge will have the right to rely on their Forced Sale Rights to require the Relevant Subsidiary to sell the Digital4ge Shareholding to the other Digital4ge shareholders.

8.3 Material terms of the Convertible Note

These are set out in the Annexure to this Notice.

8.4 Shareholder approval under ASX Listing Rule 7.1

ASX Listing Rule 7.2 (exception 16) provides that shareholder approval under ASX Listing Rule 7.1 is not required to an issue of securities approved for the purposes of item 7 of section 611 of the Corporations Act.

Despite this, pursuant to a court order of the Supreme Court of New South Wales given on 4 May 2015, the Company is required to seek approval to the issue of the Convertible Note to the Lender for the purposes of ASX Listing Rule 7.1.

Accordingly, shareholder approval under ASX Listing Rules 7.1 is being sought by the Company.

8.5 Section 611 (item 7) of the Corporations Act

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a company if, as a result of the acquisition, that person's or someone else's voting power in the company increases from less than 20% to more than 20%, or from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined under section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities; or
- (b) have power to exercise, or control the exercise of, a right to vote attached to securities; or
- (c) have power to dispose of, or control the exercise of power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

There are various exceptions to the prohibition in s 606, including under section 611 (item 7) of the Corporations Act. Section 611 (item 7) provides an exception to the prohibition in section 606, in circumstances where the shareholders of the company approve an acquisition of shares by virtue of an allotment or acquisition at a meeting at which no votes are cast by parties involved in the proposed acquisition, including their associates.

If Resolution 7 is passed, the Convertible Note will be issued to the Lender and if the Lender elects to convert the Convertible Note, Conversion Shares will be issued to the Lender and its relevant interest in voting power in the Company will be as set out in the table below.

Table A: Current shareholdings and voting power of the Lender and each of its associates				
	Lender	Mr Koadlow	PSK	Total Shares on Issue
Number of	27,335,000	665,000	15,000,000	287,500,000

voting Shares				
Voting %	9.50%	0.23%	5.22%	100%
<i>Share capital and percentage holdings if Resolution 7 is passed, the Convertible Note is issued and 1,411,764,706 Conversion Shares are issued at a conversion price of \$0.00085 (being maximum number of Shares issued at the lowest possible conversion price), Resolutions 4, 5, and 6 are not passed and no other Shares are issued</i>				
Number of voting Shares	1,439,099,706	665,000	15,000,000	1,699,264,706
Voting %	84.69%	0.04%	0.88%	100%

As the maximum number of Conversion Shares that may be issued pursuant to the conversion of the Convertible Note will be determined according to the VWAP at the time of conversion, the directors are unable to provide the actual number of Conversion Shares that may be issued to the Lender. Accordingly, the below table contains various scenarios as to the number of Conversion Shares that may be issued to the Lender based on hypothetical trading prices of the Company's Shares which are consistent with the Company's 52 week trading history.

<i>Table B: Hypothetical scenarios</i>		
Price of Shares	Conversion Price	Number of Conversion Shares issued
\$0.04	\$0.034	35,294,117
\$0.02	\$0.017	70,588,235
\$0.01	\$0.0085	141,176,470
\$0.005	\$0.00425	282,352,941
\$0.002	\$0.0017	705,882,352

8.6 Technical information required under ASX Listing Rule 7.3.

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

- (a) a maximum number of one Convertible Note will be issued, and the maximum number of Conversion Shares to be issued will be calculated in accordance with clause 5.1.2 of the terms of the Convertible Note set out in the Annexure;
- (b) the Convertible Note will be issued within two business days after the Meeting unless this date is extended by the Lender. The Conversion Shares will be issued in accordance with the terms of the Convertible Note. In any event, the Convertible Note 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);

- (c) the face value of the Convertible Note will be \$1.2 million;
- (d) the Convertible Note and Conversion Shares (if the Convertible Note is converted) will be issued to the Lender;
- (e) the terms of the Convertible Note are set out in the Annexure; and
- (f) no funds will be raised from the issue of the Convertible Note or the Convertible Shares.

8.7 Technical information required under the Corporations Act.

In accordance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74, the following information is provided in relation to the issue of the Convertible Note and the Conversion Shares to the Lender:

- (a) **The identity of the acquirer and its associates and any person who will have a relevant interest in the securities to be acquired by the acquirer**

The Convertible Note and the Conversion Shares will be acquired by the Lender. The associates, of the Lender are PSK Consulting Pty Ltd ACN 134 890 421 as trustee of the Koadlow Superannuation Fund and Peter Michael Kenneth Koadlow.

- (b) **Full particulars (including the number and percentage) of securities to which the Lender is or will be entitled to and the maximum extent of the increase in its and its associates voting power in the Company**

This is set out in Table A in section 8.5 above. Collectively, the Lender and its associates will have a maximum voting power of 85.61% in the Company which represents an increase of 70.65% in the Lender's and its associates' current collective voting power.

- (c) **The identity, associations and qualifications of any person who it is intended will become a Director if Shareholders approve this Resolution**

The Lender proposes to appoint Jay Stephenson and Brian Thomas as directors of the Company. The CVs of both Jay Stephenson and Brian Thomas are set out below:

- (A) Jay Stephenson

Jay Stephenson holds a Master of Business Administration, is a Fellow of the Certified Practising Accountants (Australia), a Certified Management Accountant (Canada), a Fellow of the Australian Institute of Company Secretaries and Member of the Australian Institute of Company Directors.

Jay has been involved in business development for over 25 years including approximately 21 years as Director, Chief Financial Officer and Company Secretary for various listed and unlisted entities in resources, manufacturing, wine, hotels and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, business restructuring as well managing all areas of finance for companies.

Jay is currently a non-executive Chairman of Quintessential Resources Limited, and is a Director of Drake Resources Limited, Doray Minerals Limited, Nickelore Limited and Strategic Minerals Corporation NL as well as Company Secretary for a number of ASX Listed companies.

(B) Brian Thomas

Mr Brian Thomas is a geologist and mineral economist with extensive experience as both an executive and non-executive director with small to mid-market capitalisation publicly listed resources companies. He was previously in a senior business development role with a major Australian bank sourcing energy and resources financing opportunities, which followed a period with a global investment banking group. This was preceded by a period as a corporate stockbroker with two major Australian based firms. The shift to the finance industry followed over 20 years in both production and exploration operational management roles in the resources sector. He is currently a Non-Executive Director of Orinoco Gold Ltd (previously Strickland Resources Ltd), Potash Minerals Ltd (formerly ransit Holdings Ltd) and Noble Minerals Resources Ltd.

(d) **A statement of the Lender's intentions regarding the future of the Company if Shareholders approve the Resolution**

Should the Lender be issued the Convertible Note and the Lender acquire the Conversion Shares in consequence of its exercise of its conversion rights under the Convertible Note, the Lender would seek to exercise its voting power to remove the current executive directors and appoint at least 2 additional non-executive directors, who would be tasked to review the current operations of the Company and to recommending strategies to the Board to reinvigorate those operations, to appropriately fund the proposed business activities and to undertake approved projects and investments to increase shareholder value.

Subject to the review alluded to above, the Lender has:

- (A) no such proposal relating to the transfer of assets between the entity and the acquirer or their associates;
- (B) no intention to redeploy the fixed assets of the entity;
- (C) no such intention to significantly change the financial or dividend distribution policies of the entity;

(e) **particulars of the terms of the proposed issue of the Convertible Note and Conversion Shares and details of the terms and any other relevant agreement between the Company and the Lender (or any of its associates) which is conditional upon, or directly or indirectly dependent upon, Shareholder approval under this Resolution**

The material terms of the Convertible Note are set out in the Annexure. Apart from the CR Deed, there is no other relevant agreement.

(f) **When will the allotment be made?**

The Convertible Note has a Maturity Date of 31 May 2015 or such other date as is notified by the Lender to the Company. The Convertible Note specifies a period within which the Lender may exercise its conversion

rights, electing to have the Company issue the Conversion Shares. The acquisition would occur on performance by the Company of its obligation to issue Conversion Shares in consequence of the Lender's exercise of its conversion right.

(g) **An explanation of the reasons for the proposed issue of the Convertible Note**

The Convertible Note is being issued pursuant to the CR Deed.

(h) **The interest of the Directors in this Resolution**

The Directors do not have an interest in this Resolution.

(i) **Identity of the Directors who approved or voted against the proposal to put these Resolutions to the Shareholders**

The Directors were required pursuant to the CR Deed to put this Resolution to Shareholders at the AGM. However, due to requisite material not being available at the time of despatch of the notice of Meeting despatched on 29 April 2015, the Directors did not include the Resolution. The Supreme Court of New South Wales has since ordered compliance with this requirement and accordingly this Resolution has been put to Shareholders in this Notice.

(j) **Recommendation of each Director as to whether Shareholders should approve these Resolutions**

Pursuant to the CR Deed, each of the Messrs Dykes and Dunlop are required to recommend that Shareholders approve this Resolution. In compliance with this requirement, they recommend the Shareholders approve Resolution 7.

The following statement and recommendation has been issued by Craig Seymour:

Mr Seymour, the director appointed as nominee of the Estate of Elsie Koadlow, wishes to note that he is not bound by the Court Orders and is not a party to the CR Deed. Mr Seymour believes that he is unable to assess whether the convertible note issue is fair in the absence of any valuation of the Digital4ge shares, but otherwise believes that the issue is reasonable. Mr Seymour supports the issue of the convertible note on the basis that, if the convertible note is issued and converted and if a change in control of Chapmans Ltd occurs and if the forced sale provisions of the Digital4ge shares are triggered, any sale will take place at market value as determined by an independent valuer. Alternatively, if the forced sale provisions are not triggered under the same scenario, then Chapmans Ltd will continue to hold the Digital4ge shares. Accordingly, Mr Seymour's view is that the forced sale provisions with respect to the Digital4ge shares are immaterial to his decision to support the issue of the convertible note.

(k) **An analysis of whether the proposed issue of the Convertible Note and the Conversion Shares to the Lender, the subject of this Resolution, is fair and reasonable to the non-associated Shareholders**

The Directors consider that:

- (A) an offer is considered “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length; and
- (B) an offer is considered to be “reasonable” if it is “fair”. If the offer is “not fair” it may still be “reasonable”, if the Directors believe that there are sufficient reasons for security holders to accept the offer in the absence of any higher offer.

Given the extent of the voting power the Lender will obtain if it exercises its right to convert the Convertible Note, and if the Share issues contemplated by Resolutions 4, 5 and 6 do not occur, the absence of any premium reflected in the conversion price (given that the conversion price will be at a discount to the VWAP at the time of conversion) leads the Directors consider that the issue of the Convertible Note and the Conversion Shares the subject of this Resolution is **not fair**.

In the event that the Convertible Note is converted by the Lender, the debt will be extinguished which will improve significantly, the Company's position in relation to solvency. It is for this reason, the Directors, notwithstanding the determination that the proposed issue of the Convertible Note and Convertible Shares is not fair, consider that the issue and the terms of the issue are **reasonable**.

However, it is important to note that if the Convertible Note is not converted by the Lender, and the Lender seeks full payment of the face value and interest accrued on 31 May 2015, the solvency of the company will need to be addressed. It is for this reason, the directors have sought approval under Resolutions 4, 5 and 6 to give the Company flexibility to raise equity security funding to repay the debt.

Further to this, notwithstanding approval under Resolution 4, there are no guarantees that the placement contemplated by that Resolution will proceed. Nevertheless, the Directors will continue, between the date of this Notice and the date of the Meeting, to obtain commitments from parties to provide equity finance to the Company and if appropriate, will notify Shareholders as and when this occurs.

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

9.1 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 8 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.

9.2 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.

9.3 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 8 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 5 May 2015.

The Directors note that this table has been modified since the notice of annual general meeting dated 29 April 2015, given the issue of 37,500,000 Shares since the date of that notice.

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 287,500,000	Shares issued	28,750,000	28,750,000	28,750,000
	Funds raised	\$28,750	\$57,500	\$115,000
50% increase	Shares issued	43,125,000	43,125,000	43,125,000

431,250,000				
	Funds raised	\$43,125	\$86,250	\$172,500
100% increase	Shares issued	57,500,000	57,500,000	57,500,000
575,000,000	Funds raised	\$57,500	\$115,000	\$230,000

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 5 May 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 this Resolution.

10. ENQUIRIES

Shareholders are requested to contact the Company Secretary on (+61 2) 8249 8279 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 9.1.

AEST means Australian Eastern Standard 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.

Convertible Note means the convertible note to be issued to the Lender (subject to approval under Resolution 7) with face value of \$1,200,000 convertible into Shares at conversion price of 85% of the VWAP of the closing sale price of the Shares on the last five trading days immediately prior to the date the Lender serves a notice to exercise its right to convert the Convertible Note.

Conversion Shares means Shares to be issued on conversion of the Convertible Note.

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

CR Deed has the meaning set out in section 8.1.

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.

Lender means Peter Michael Kenneth Koadlow as executor of the estate of the late Elsie Koadlow.

Notice or **Notice of Meeting** means this amended 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

Annexure Terms of Convertible Note

1. Definitions

In these terms and conditions, unless the context or subject matter otherwise indicates or requires:

Business Day means any day that is not a Saturday, a Sunday or a public holiday in Sydney;

Company means Chapmans Ltd ACN 000 012 386;

Compromise and Release Deed means the Compromise and Release Deed between the Company, the Noteholder and others made on 19 February 2015;

Conversion, in relation to Convertible Note, means the redemption of the Convertible Note and the application by the Company, following the written request of the Noteholder to do so, of the proceeds of redemption in paying up and issuing Shares in accordance with these terms and conditions;

Convertible Note means, at any time, this note issued by the Company subject to these terms and conditions to the extent it has not then been redeemed;

Company means Chapmans Ltd ACN 000 012 386;

Maturity Date means 31 May 2015 or such other date (including 30 June 2015) as is notified by the Noteholder to the Company;

Noteholder means, in relation to the Convertible Note at any time, the person registered as the holder of the Note in the Register;

Price means 85% of the volume weighted average price) of the closing sale price (VWAP) of Shares on the ASX on the last five trading days immediately prior to the date of the notice of exercise of the Noteholder's conversion rights;

Redemption Date means, in relation to any Convertible Note, the date on which that Convertible Note is redeemed in accordance with these terms and conditions;

Register means a register of Noteholders to be kept by the Company in accordance with the *Corporations Act 2001*;

Shares means fully paid ordinary shares in the share capital of the Company, quoted for trading on the Australian Securities Exchange without restriction and without requiring the issue of a prospectus or other disclosure document under Part 6D of the *Corporations Act 2001*;

Uncalled Shares, as at any date, means any Shares in respect of which the Noteholder has not exercised his conversion right under these terms and conditions;

words and phrases defined in the Compromise and Release Deed, the ASX Listing Rules, the *Corporations Act 2001* or the *Personal Property Securities Act 2009* have the same meaning when used in these terms and conditions; and

the singular includes the plural, reference to any gender includes the other genders, reference to a person includes a body corporate, and vice versa respectively.

2. Convertible Note debt terms

The Convertible Note shall:

- (a) be issued for \$1,200,000, the payment of which is conditionally satisfied by the conditional release of the Noteholder of that amount of the Debts owed by the Borrower to the Lender as contemplated by the Compromise and Release Deed;
- (b) be redeemed in full by the Company on the Maturity Date, or earlier on request by the Noteholder made in accordance with these terms and conditions, by payment to the Noteholder of the sum of \$1,200,000 (in addition to any accrued and unpaid interest); and
- (c) bear interest at the rate equal to the indicator rate published from time to time by Australia and New Zealand Banking Group Limited on bank bills with a tenor of 90 days plus 1% per annum (based on a 365 day year), calculated daily on the principal or nominal value from the date of issue until the Redemption Date, which interest shall be payable in full by the Company to the Noteholder in arrears on the first to occur of the Maturity Date and on the Redemption Date.

3. Payment defaults

If the Company does not pay any sum payable to the Noteholder under these terms and conditions when due (the **Overdue Sum**), the Company shall pay interest (**Default Interest**) on the amount from time to time outstanding in respect of that Overdue Sum for the period beginning on the date that such sum became due and ending on the date when the sum is paid at a rate equal to the rate referred to in clause 2(c) above plus 2% per annum calculated daily. Payment of Default Interest does not relieve the Company of the Company's obligation to pay the Overdue Sum on the due date or in any way affect any other power, right or remedy that the Noteholder has under these terms and conditions.

4. Redemption of Convertible Note

- 4.1.1 The Convertible Note must be redeemed by the Company on the Maturity Date.

- 4.1.2 On the Redemption Date of the Convertible Note, the Company shall pay the principal or nominal value of the Convertible Note together with interest thereon and accrued to the Redemption Date.

5. Option to convert

- 5.1.1 Subject to these terms and conditions, the Noteholder may at any time within the period of ten Business Days after the earlier of the Redemption Date and the Maturity Date exercise an option to convert (exercisable only by notice in writing to Company) the Convertible Note into Shares.

- 5.1.2 Within two Business Days after receipt of a notice exercising the option to convert, the Company must issue Shares to the Noteholder in accordance with the following formula:

$$S = \frac{TNV}{P}$$

where:

- (a) S is the number (rounded up, in the case of a fraction, to the next nearest whole number) of Shares to be issued to the Noteholder;
- (b) TNV is the total of the nominal value of such of the Convertible Note as the Noteholder has requested the Company to convert in accordance with this clause; and
- (c) P is the Price.

6. Shareholder approval

- 6.1.1 Should the issue of Shares in consequence of any exercise of a right to convert any or all of the Convertible Note require the approval of the Company's shareholders, the Company agrees to seek and recommend, and the Chapman Directors agree to exercise any votes of any shareholder that they individually, together or with others control in favour of, that approval at a general meeting to be held no later than 60 days after the Company receives a request from a Noteholder to do so.
- 6.1.2 The Company is not aware of any fact or circumstance as at the date of issue of the Convertible Note that would require that shareholder approval be obtained as contemplated by clause 6.1.1 on the notional basis that the option to convert, if exercised, were exercised in full on the date of issue.

7. Ranking of Shares

Each Share issued upon conversion of the Convertible Note shall as from issue rank in all respects *pari passu* with the then issued Shares.

8. New rights

- 8.1.1 This provision applies to any proposal for new rights to be issued by the Company in relation to any Shares.

- 8.1.2 The Company must provide to the Noteholder full details of any proposed new rights issue at the same time as the Company notifies existing shareholders of the proposal.
- 8.1.3 New rights to be issued to existing shareholders attach upon issue to Uncalled Shares in compliance with this provision, except where the Noteholder notifies the Company that the Noteholder declines to accept the new rights within 10 Business Days following receipt of actual notice of the proposal by the Noteholder from the Company.
- 8.1.4 New rights attach upon issue to Uncalled Shares in the same proportion and to the same extent, and calculated at the same date, as for shares held by existing shareholders, as if the Uncalled Shares had been issued to, and registered in the register of members in the name of, the Noteholder by the Company at that date.
- 8.1.5 The Company must issue new rights attaching to the Uncalled Shares to the Noteholder upon conversion of any Uncalled Shares.
- 8.1.6 The Company must in relation to any proposed new rights by way of issue of bonus shares, whether by way of capitalisation of reserves or undistributed profits or otherwise, for no additional consideration:
- (a) include Uncalled Shares in any calculation of the rights of existing shareholders to participate in that issue; and
 - (b) credit any necessary reserve account with an amount sufficient to warrant the issue of bonus shares in relation to Uncalled Shares.

- 8.1.7 The amount payable by the Noteholder to the Company for any Uncalled Shares, upon conversion of any Convertible Note, must be increased to include the full amount payable by any existing shareholder at that time for any new rights by way of a rights issue for cash or other consideration in relation to the new rights equivalent to those attaching to the Uncalled Shares.

9. Option share conversion

- 9.1.1 This provision applies in relation to any Uncalled Shares existing at the effective date of conversion under any resolution passed by members of the Company to convert those Uncalled Shares into a larger or smaller number.
- 9.1.2 The number of Uncalled Shares must, as applicable, be increased or reduced to the number of replacement shares created by the conversion resolution.
- 9.1.3 Appropriate adjustment to reflect the replacement number of Uncalled Shares following conversion must be made, as applicable, by way of increase or reduction in:
- (a) the Price; and
 - (b) the number of Uncalled Shares comprised in any partial exercise of the Noteholder's conversion rights.

10. Issue of Shares

A request given pursuant to clause 5 shall be in writing and may not be withdrawn. The Company shall allot the Shares to be allotted in accordance with that clause, on the Redemption Date. The Company shall after allotment send free of charge to the holder of Convertible Note (or to such other person as that holder may in writing request) a certificate or statement for the number of Shares issued on redemption of those Convertible Note and shall also send free of charge to that holder or other person a certificate in respect of any Convertible Note not redeemed which were included in the certificate or statement that accompanied the notice relating to such redemption. Such certificates may be sent by pre-paid post addressed to the address of the Noteholder appearing in the Register or where the Company is requested by the Noteholder to send the certificate or statement to any other person then it may be sent by pre-paid post addressed to the address of that other person as notified to the Company by the Noteholder.

11. Undertakings

The Company undertakes to and for the benefit of the Noteholder as follows:

- (a) other than in the ordinary course of the Company's usual business, not to make any loans or advances or provide any credit to, or become surety for any person ;
 - (b) not to grant any encumbrance or security interest to any person for any obligations of the Company;
 - (c) other than in the ordinary course of its usual business, not to sell or dispose of its assets or undertaking;
 - (d) to provide the Noteholder with financial statement as at and in respect of the financial year ending 31 December in each year, including a balance sheet, a profit and loss statement, a statement of cash flow projections and all other financial information or other reasonable information that the Noteholder desires, within eight weeks of the end of each period. Such financial
-

statements shall be audited annually and shall comply with the *Corporations Act 2001* and all applicable accounting standards;

- (e) not issue nor agree to issue any preference shares or any other class of shares with any right preferential to Shares;
- (f) to insure all the insurable assets of the Company and keep them insured with a reputable insurer acceptable to the Noteholder for the full insurable value of the assets and on terms acceptable to the Noteholder;
- (g) not to resolve to wind up or place into administration the Company;
and
- (h) not to undertake any return or distribution to its shareholders.

12. Redemption on default

Notwithstanding anything contained above, the Noteholder may at any time by written notice to the Company at its registered office to require the Company to redeem all its Convertible Note at its face or nominal value plus any accrued and unpaid interest, costs and expenses:

- (a) within seven days upon being notified by the Noteholder of a breach of any of the Company's obligations under these terms and conditions and not being rectified to the satisfaction of the Noteholder;
 - (b) immediately upon demand in the event that:
 - (i) the Company defaults in the payment of any interest payable on any of the Convertible Note within three Business Days of the time when such interest is due;
 - (ii) an application is made to a court for an order (and such application is not dismissed within ten Business Days) or an order is made that the Company be wound up;
 - (iii) an application is made to a court for an order appointing a liquidator or provisional liquidator in respect of the Company (and such application is not dismissed within 10 Business Days) or one of them is appointed whether or not under an order;
 - (iv) a receiver, receiver and manager or controller is appointed in respect of any part of the property of the Company;
 - (v) an administrator is appointed to the Company;
 - (vi) the Company enters into, or resolves to enter into a scheme of arrangement or composition with, or assignment for the benefit of all or any class of its creditors, or it proposes a reorganisation, moratorium or other administration involving any of them;
 - (vii) the Company resolves to wind itself up, or otherwise dissolve itself, or gives notice of intention to do so;
 - (viii) the Company or its directors state that it is unable to pay its debts as and when they become due and payable;
 - (ix) the Company is presumed to be unable to pay its debts within the meaning of section 459C(2) of the *Corporations Act 2001*;
-

- (x) a judgment is entered against the Company for a sum in excess of \$50,000 and it remains unsatisfied or un-appealed for a period of 10 Business Days;
- (xi) any litigation is threatened against the Company for an amount greater than \$50,000;
- (xii) the Company fails to comply with its obligations under the Compromise and Release Deed or any condition precedent to the operation of any part of that deed is not satisfied by a specified date; and
- (xiii) any notice or proposal is given to the Company to compulsorily acquire any of Company assets.

13. Notification of default

If the Company becomes aware of any default or breach, or anticipated default or breach, of any of its obligations under these terms and conditions, it shall immediately provide written notice to the Noteholder of that default.

14. Noteholder's other rights in relation to default

If the Company fails to fully and punctually perform or observe any of its obligations under these terms and conditions, the Noteholder may, without prejudice to any other power or right (and without being obliged to do so), do all things it believes necessary or desirable to make good or attempt to make good the default to the satisfaction of the Noteholder. All costs, expenses or liability the Noteholder incurs in doing so shall be paid by the Company to the Noteholder on a full indemnity basis with in seven days of demand.

15. Note transfer

The Noteholder may at any time by an instrument in writing transfer all or any of its Convertible Note. The instrument of transfer shall be sent to the Company with the certificate or statement relating to the Convertible Note concerned and Company shall, within ten Business Days, send free of charge to the transferee a new certificate or statement relating to the Convertible Note transferred and (if applicable) shall send to the transferor a new certificate or statement for the balance of the Convertible Note not comprised in the certificate relating to the Convertible Note transferred.

16. Time is of the essence

Time is of the essence in respect of the Company's obligations under these terms and conditions.

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. ISSUE OF CONVERTIBLE NOTE TO THE LENDER	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. 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

Security Holder 2

Security Holder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

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

+

CHPPX1290515

1

1

CHP

CHPPX1290515

+

My/Our contact details in case of enquiries are:

Name:

Number:

()

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:

- 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
- 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	Alexandrea 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.