

# CHAPMANS LIMITED

## ACN 000 012 386

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## Non-Renounceable Rights Issue - Offer Document

For a non-renounceable pro-rata offer to Eligible Shareholders of up to 407,500,028 New Shares at an issue price of \$0.005 per New Share on the basis of one (1) New Share for every two (2) Existing Shares to raise approximately \$2,037,500 before issue costs and an offer of Shortfall Shares to Eligible Shareholders.

### Important Notice

If you are an Eligible Shareholder, this is an important document that requires your immediate attention.

This Offer Document is not a prospectus and it does not contain all of the information that an investor may require in order to make an informed decision regarding the New Shares offered.

This Offer Document should be read in its entirety before deciding whether to apply for the New Shares. If after reading this Offer Document you have any questions about the New Shares being offered under this Offer Document, then you should consult your professional adviser.

The New Shares offered by this Offer Document should be considered speculative.

This document is not for publication or distribution, directly or indirectly, in or into the United States of America (including its territories and possessions, any state of the US and the District of Columbia). This document is not an offer of securities for sale into the United States or to, or for the account or benefit of, US Persons. The securities referred to herein have not been and will not be registered under the US Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons. No public offering of securities is being made in the United States.

### Important notes

This Offer Document is dated 3 October 2017. The information contained in this Offer Document is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Offer Document or are in any doubt as to how to deal with it, you should consult your professional adviser. In particular, it is important that you consider the key risk factors (see section 6 of this Offer Document) that could affect the performance of the Company before making an investment decision.

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act (as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84). In broad terms, section 708AA of the Corporations Act relates to rights issues by certain entities that do not require the provision of a prospectus or other Offer Document. Accordingly, this Offer Document does not contain all of the information which a prospective investor may require to make an investment decision and it does not contain all of the information which would otherwise be required under Australian law or any other law to be disclosed in a prospectus. Section 708AA requires companies to lodge with the ASX a "cleansing notice". Among other things, the cleansing notice is required to:

- set out certain price sensitive information about the Company (if any) which the Company has not previously disclosed to the ASX, and
- state the potential effect the issue of New Shares under the Offer will have on the control of the Company, and the consequences of that effect.

The Company lodged a cleansing notice with the ASX on 3 October 2017.

Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to ASX and consult their professional advisers before deciding whether to accept the Offer. Announcements made by the Company to ASX are available from the ASX website [www.asx.com.au](http://www.asx.com.au). The information in this Offer Document does not constitute a securities recommendation or financial product advice.

Before applying for New Shares you should consider whether such an investment, and the information contained in this Offer Document, is appropriate to your particular needs, and considering your individual risk profile for speculative investments, investment objectives and individual financial circumstances. You should consult your professional adviser without delay.

By returning an Entitlement and Acceptance Form or lodging an Entitlement and Acceptance Form with your stockbroker or otherwise arranging for payment for your New Shares in accordance with the instructions on the Acceptance Form, you acknowledge that you have received and read this Offer Document, you have acted in accordance with the terms of the Offer detailed in this Offer Document and you agree to all of the terms and conditions as detailed in this Offer Document.

### Offer restrictions

This Offer Document does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or issue this Offer Document. The Offer is not being extended, and New Shares will not be issued, to Shareholders with a registered address which is outside Australia and New Zealand.

### Shareholders outside Australia and New Zealand

Eligible Shareholders, being Shareholders registered as holders of Shares at 7.00pm (Sydney time) on the Record Date with registered addresses in Australia and New Zealand, may participate in the Offer. The Company considers it is unreasonable to extend the Offer to Shareholders with registered addresses, as at the Record Date, outside of Australia and New Zealand (**Ineligible Shareholders**) having regard to the costs of complying with legal and regulatory requirements in each of those other jurisdictions. No Entitlement and Acceptance Forms will be sent to Ineligible Shareholders.

The Offer is not extended to, and no New Shares are offered or will be issued to, Ineligible Shareholders. Shareholders with registered addresses in Australia and New Zealand who hold Shares on the Record Date on behalf of persons who are not resident in Australia and New Zealand are responsible for ensuring compliance with all laws of the relevant overseas jurisdiction.

This Offer Document and accompanying Entitlement and Acceptance Form do not constitute, and is not intended to constitute, an offer of New Shares in any place outside of Australia and New Zealand in which, or to any person to whom it would not be lawful to make such an offer or to issue this Offer Document or the Entitlement and Acceptance Form.

The distribution of this Offer Document and the accompanying Entitlement and Acceptance Form in jurisdictions outside Australia and New Zealand may be restricted by law and anyone who comes into possession of this Offer Document should seek advice on and observe those restrictions. Any failure to comply with such restrictions might constitute a violation of applicable securities laws.

It is the responsibility of any person who comes into possession of this Offer Document outside Australia and New Zealand to ensure compliance with all laws of their country of residence. It is the responsibility of Applicants outside Australia and New Zealand to ensure compliance with all laws of any country relevant to their acceptance.

### **Future performance and forward looking statements**

Neither the Company nor any other person warrants or guarantees the future performance of the New Shares or any return on any investment made pursuant to the Offer. Investors should note that past share price performance of the Company provides no guidance to its future share price performance.

The forward looking statements in this Offer Document are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its Directors that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Offer Document. Investors should specifically refer to the "Key Risks" in section 6 of this Offer Document. That section refers to some but not all of the matters that may cause actual results to differ from the position stated in any forward looking statement in this Offer Document.

### **Disclaimer**

This Offer Document has been prepared by the Company. No party other than the Company has authorised or caused the issue of this Offer Document or takes responsibility for, or makes any statements, representations or undertakings in, this Offer Document.

Neither ASX nor ASIC takes any responsibility for the contents of this Offer Document.

No person is authorised to give information or to make any representation in connection with this Offer Document which is not contained in the Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Offer Document.

### **Privacy**

The Company and the Share Registry have already collected certain personal information from you as a Shareholder. If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or by the Share Registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration. The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context

of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or Share Registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application.

### **Governing Law**

This Offer Document and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in New South Wales. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of New South Wales.

### **Enquiries**

If, after reading this Offer Document, you have any questions about the Offer, please consult your legal, financial, taxation or other professional adviser. Shareholders may also contact Elizabeth Hunt, Company Secretary between 9.00am and 5.00pm (Sydney time) on business days by calling (08) 9481 0389 from within Australia or + 61 8 9481 0389 from outside Australia.

## 1 Chairman's letter

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Dear Shareholder,

On behalf of the Board of Chapmans Limited (**CHP** or the **Company**), I am pleased to invite you to participate in this Rights Issue that will allow you maintain your equity interest in the Company and to participate in the exciting future of the Company.

The Rights Issue, which has the capacity to raise approximately \$2,037,500 (before costs) could result in the issue of approximately 407,500,028 New Shares in the Company.

There is no minimum acceptance amount and Eligible Shareholders are also invited to apply for additional New Shares which will be allocated from any Shortfall. The Directors may at their discretion place any Shortfall to third parties, at not less than the issue price within 3 months of the Closing Date.

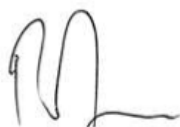
The Rights Issue is not being underwritten.

The Company intends to apply the funds raised from the Offer to:

- fund the Syn Dynamics Australia Pty Ltd pilot plant and associated operating costs;
- provide capital for the Company to use in respect of new investments which have not been identified as at the date of this document; and
- provide working capital to the Company generally (including to fund the costs of the Offer).

If you have any queries about the Offer, please contact the Company at any time between 9.00am and 5.00pm (Sydney time) during the Offer Period. Refer to section 3.14 of this Offer Document for the relevant contact details.

On behalf of the board of the Company, I encourage you to consider this investment opportunity and thank you for your continuing support.



**Peter Dykes**  
Executive Chairman

## 2 Indicative timetable

Event	Date
Announcement of Offer, lodgment of Appendix 3B and Section 708AA cleansing notice released to ASX	Before commencement of trading on Tuesday, 3 October 2017
Notice to Shareholders containing information required by Listing Rules	4 October 2017
“Ex” Date	5 October 2017
Record Date to determine Entitlement to New Shares	At 7pm on 6 October 2017
Despatch of Offer Document and Entitlement and Acceptance Form and announcement that despatch completed	11 October 2017
Last day to extend Closing Date	17 October 2017
Closing Date	At 5pm on 20 October 2017
Securities quoted on a deferred settlement basis	23 October 2017
ASX notified of Shortfall	25 October 2017
Issue of New Shares, despatch date of holding statements	27 October 2017
Trading commences for New Shares on a normal settlement basis	30 October 2017

All dates are subject to change and accordingly are indicative only. CHP has the right to vary the dates of the Offer, without prior notice, subject to the Corporations Act and the ASX Listing Rules.

### 3 Summary of the Offer

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#### 3.1 The Offer

The Company is offering Eligible Shareholders the opportunity to participate in a non-renounceable rights issue of New Shares on the basis of one (1) New Share for every two (2) Existing Shares held on the Record Date, being 7.00pm (Sydney time) on 6 October 2017, at an issue price of \$0.005 per New Share.

The number of New Shares to which you are entitled (**Entitlement**) is shown on the accompanying Entitlement and Acceptance Form.

Certain terms and abbreviations in this Offer Document are defined in the glossary of terms in section 8.

#### 3.2 No Minimum Subscription

There is no minimum subscription for the Offer.

The full subscription in relation to this Offer is approximately \$2,037,500 (before the costs of the Offer).

#### 3.3 Shortfall

The Company will allow Eligible Shareholders, in addition to applying for all of their Entitlements, to apply for such further number of New Shares out of any Shortfall (**Shortfall Shares**) which the Eligible Shareholder may specify in the Entitlement and Acceptance Form.

In the event that there is no Shortfall, the Application Monies relating to the Shortfall will be returned to the Eligible Shareholder as soon as practicable following the Closing Date without interest.

In the event that applications from Eligible Shareholders to participate in the Shortfall exceed the number of Shortfall Shares, those applications will be scaled back at the discretion of the directors however the Directors will have regard to any potential control effects of the Rights Issue on the Company.

The Directors will have discretion as to how to allocate Shortfall Shares, however, the Company intends to allocate Shortfall Shares in accordance with the following priorities:

- (a) first priority will be given to Eligible Shareholders that have subscribed for their full Entitlement provided that the issue of the Shortfall Shares will not result in the applicant's voting power in the Company exceeding 20%; and
- (b) second priority will be given to third parties applying for Shortfall Shares by the Closing Date.

If there are still Shortfall Shares which have not been subscribed for, the Directors may at their complete and absolute discretion place the Shortfall Shares with any third party, at not less than the issue price. The Directors will attempt to place those Shortfall Shares within 3 months of the Closing Date as required by Exception 3 to ASX Listing Rule 7.1 and 7.1A, as set out in ASX Listing Rule 7.2.

In the event of a scaling back of applications to participate in the Shortfall as described above, Application Monies relating to Shortfall Shares applied for but not issued will be returned to Shareholders as soon as practicable following the Closing Date without interest.

#### 3.4 Use of funds

The net proceeds of the Offer will be used by the Company to:

- (a) fund the Syn Dynamics Australia Pty Ltd pilot plant and associated operating costs;
- (b) provide capital for the Company to use in respect of new investments which have not been identified as at the date of this document; and
- (c) provide working capital to the Company generally (including to fund the costs of the Offer).

### 3.5 Effect of the Offer on the Control of the Company

The Company has lodged with ASX a notice in accordance with section 708AA of the Corporations Act which sets out, among other things, the effect of the Offer on the control of the Company. This Offer Document may be viewed on the websites of the Company and ASX.

If all Eligible Shareholders take up their Entitlements in full, the Offer will not diminish the percentage shareholding and voting power of each Eligible Shareholder (assuming no further issue of securities by the Company). If some Eligible Shareholders do not take up their Entitlement in full, then their percentage shareholding and voting power in the Company will be diluted.

The percentage shareholding and voting power of Ineligible Shareholders who are not eligible to participate in the Offer will also be diluted by New Shares issued under the Offer.

Although the issue of New Shares to substantial Shareholders under the Offer may increase the shareholding interests of those persons in the Company, these arrangements are not expected to have any material effect on the control of the Company.

Based on the holdings of Shareholders as set out in the Company's share register at the date of this Offer Document, no Shareholder following a take up of their Entitlements will increase their shareholding to more than 20% of the Company's issued capital.

The final percentage interests held by substantial shareholders of the Company is entirely dependent on the extent to which other shareholders take up their Entitlements. The Company expects that the potential effect of the issue of Shares under the Entitlement on the control of the Company will be minimal.

### 3.6 Entitlement to participate in the Offer

Eligible Shareholders who are on the Company's share register at 7.00pm (Sydney time) on the Record Date are eligible to participate in the Offer.

An Entitlement and Acceptance Form setting out your Entitlement to New Shares accompanies this Offer Document.

Nominees and custodians who hold Shares as nominees or custodians will receive an Offer Document. Nominees and custodians should carefully consider the contents of the Offer Document and note in particular that:

- (a) no Offer Document is to be sent to any Ineligible Shareholder or any person that is in the United States for whom they are the nominee holder; and
- (b) no Entitlement and Acceptance Form is to be submitted or New Shares otherwise purchased on behalf of any Shareholder that is not an Eligible Shareholder or any person that is in the United States.

The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares. Where any holder is acting as a nominee for a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary of the Entitlement is compatible with applicable foreign laws. Eligible Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how to proceed.



**3.7 Acceptances**

This Offer may be accepted in whole or in part prior to 5.00pm (Sydney time) on the Closing Date subject to the rights of the Company to extend the Offer Period or close the Offer early.

If your acceptance of your Entitlement results in you holding a fraction of a New Share, the Entitlement will be rounded up to the nearest whole number.

Instructions for accepting your Entitlement are set out in section 4 and on the Entitlement and Acceptance Form which accompanies this Offer Document.

**3.8 Offer is non-renounceable**

The Offer is non-renounceable. This means that your Entitlement to subscribe for New Shares under this Offer Document is not transferable and there will be no trading of Entitlements on the ASX. If you choose not to take up your Entitlements, you will receive no benefit and your shareholding in the Company will be diluted as a result.

Any New Shares not taken up by an Eligible Shareholder by the Closing Date will form part of the Shortfall and will be dealt with firstly in accordance with the allocation policy described above in section 3.3.

**3.9 Allotment and Application Money**

New Shares will be issued only after all Application Money has been received and ASX has granted permission for the New Shares to be quoted. It is expected that New Shares will be issued no later than 27 October 2017 and normal trading of the New Shares on ASX is expected to commence trading on a normal settlement basis on 30 October 2017.

All Application Money received before New Shares are issued will be held in a special purpose account. After Application Money is refunded (if required) and New Shares are issued to Applicants, the balance of funds in the account plus accrued interest will be received by the Company.

**3.10 Rights and Liabilities attaching to the New Shares**

The New Shares will rank equally in respect of dividends and in all other respects (e.g. voting, bonus issues) as Existing Shares.

**3.11 ASX Quotation**

Application for admission of the New Shares to official quotation on ASX will be made.

Subject to the approval being granted by ASX, it is expected that quotation and trading of New Shares issued under the Offer will commence on a normal settlement basis on 30 October 2017.

The fact that ASX may agree to grant official quotation of the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares.

**3.12 Issue Outside Australia**

This Offer Document does not and is not intended to constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. The New Shares may not be offered or sold in any country outside Australia except to the extent permitted below:

**(a) New Zealand**

The New Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any Shares.

This Offer Document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This Offer Document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

(b) United States

This Offer Document has not been, nor will it be, lodged, filed or registered with any regulatory authority under the securities laws of any country other than Australia. In particular, the New Shares have not been and will not be, registered under the U.S. Securities Act and may not be offered, sold or delivered within the United States of America or to or for the account or benefit of any U.S. Person, except pursuant to applicable exceptions from registration. In addition, hedging transactions with respect to the New Shares may not be conducted unless in accordance with the U.S. Securities Act.

(c) Ineligible Shareholders

The Company is of the view that it is unreasonable to extend the Offer to Ineligible Shareholders, having regard to the small number of foreign Shareholders and the cost of complying with the legal requirements and requirements of the regulatory authorities, in the respective overseas jurisdictions. Accordingly, the Offer does not extend to any Shareholders that are Ineligible Shareholders. The Company reserves the right to treat as invalid any Application that appears to have been submitted by an Ineligible Shareholder.

(d) Nominees

Eligible Shareholders holding Shares on behalf of persons who are resident outside Australia and New Zealand are responsible for ensuring that taking up any Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. The lodgement of an Application will constitute a representation and warranty to the Company that there has been no breach of such regulations. Shareholders who are nominees are also advised to seek independent advice as to how they should proceed. Where the Offer has been dispatched to a Shareholder domiciled outside Australia and New Zealand, the Offer Document is provided for information purposes only.

### 3.13 **CHESS**

The Company participates in the Clearing House Electronic Sub-register System (**CHESS**). ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If you are broker sponsored, ASX Settlement will send you a CHESS statement.

The CHESS statement will set out the number of New Shares issued under this Offer Document, provide details of your holder identification number and give the participation identification number of the sponsor.

If you are registered on the issuer sponsored sub register, your statement will be dispatched by the Company's share registrar and will contain the number of New Shares issued to you under the Offer and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

**3.14 Enquiries**

Any questions concerning the Offer should be directed to Elizabeth Hunt, Company Secretary between 9.00am and 5.00pm (Sydney time) on business days by calling + 61 8 9481 0389 or consult your professional adviser.

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document.

This Offer Document is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. If you have any queries as to whether participation in the Offer is appropriate having regard to your particular circumstances or any queries on the specific consequences for you of any such participation, you should contact your stockbroker, accountant or other professional adviser.

## 4 How to apply

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### 4.1 What you may do

The number of New Shares to which you are entitled to subscribe for is shown on the accompanying Entitlement and Acceptance Form.

As an Eligible Shareholder, you may:

- (a) subscribe for all or part of your Entitlement (refer section 4.2);
- (b) subscribe for all of your Entitlement in full and apply for additional New Shares under the Shortfall (refer section 4.3); or
- (c) allow all or part of your Entitlement to lapse (refer section 4.4).

The Company reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after 5.00pm (Sydney time) on the Closing Date.

The Company will treat you as applying for as many New Shares as your payment will pay for in full. Amounts received by the Company in excess of the number of New Shares you are ultimately allocated will be returned as soon as practicable. No interest will be paid on returned Application Money.

### 4.2 To subscribe for all of your Entitlement

If you wish to subscribe for all of your Entitlement, complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out in that form. The Entitlement and Acceptance Form sets out the number of New Shares you are entitled to subscribe for.

If you provide insufficient funds to meet the Application Monies due to take up all or part of your Entitlement, you may be taken by the Company to have applied for such lower number of shares as your cleared Application Monies will pay for, or your Application may be rejected. Any overpayment of more than your Entitlement multiplied by the issue price of A\$0.005 will be deemed an application for additional New Shares.

- (a) Payment by cheque or bank draft

Your completed Entitlement and Acceptance Form must be accompanied by a cheque or bank draft made payable to “Chapmans Limited” and crossed “Not Negotiable” for the appropriate Application Money in Australian dollars calculated at \$0.005 per New Share accepted, and received by Security Transfer Australia Pty Ltd at the address set out below by no later than 5.00pm (Sydney time) on the Closing Date.

Security Transfer Australia Pty Ltd  
Suite 511, 155 King Street  
Sydney NSW 2000

The Company will present the cheque or bank draft on or around the day of receipt of the Entitlement and Acceptance Form. If a cheque is not honoured upon its first presentation, the Directors reserve the right to reject the relevant Entitlement and Acceptance Form.

- (b) Payment by electronic transfer

If you are paying by electronic transfer please refer to your personalised instructions on your Entitlement and Acceptance Form.

It is your responsibility to ensure that your electronic payment is received by the Company by no later than 5.00pm (Sydney time) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regard to

electronic payment, and you should therefore take this into consideration when making payment.

- (c) No payment by cash

Cash will not be accepted and no receipts will be issued.

- (d) Payment by BPAY®

Australian Eligible Shareholders may pay through BPAY®.

Payment by BPAY® should be made in accordance with the instructions set out in the Entitlement and Acceptance Form (**Form**) using the Customer Reference Number shown on that Form and must be received by the Share Registry by no later than 5.00pm (Sydney time) on the Closing Date. Applicants should be aware that their own financial institution may implement earlier cut-off times with regard to electronic payment. Applicants should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that funds submitted through BPAY® are received by this time.

The Customer Reference Number is used to identify your holding. If you have multiple holdings you will also have multiple Customer Reference Numbers. You must use the Customer Reference Number shown on each Entitlement and Acceptance Form to pay for each holding separately. If you pay by BPAY® and do not pay for your full Entitlement, your remaining Entitlements will lapse. Your completed BPAY® acceptance, once paid, cannot be withdrawn.

#### 4.3 Applying for Shortfall Shares

- (a) Shortfall Shares

Any New Shares under the Rights Issue that are not applied for will form the Shortfall Shares.

- (b) How to apply for Shortfall Shares

If you have applied to take up all of your Entitlement in full, you may also apply for Shortfall Shares under the Shortfall.

If you apply for Shortfall Shares and your application is successful (in whole or in part) your Shortfall Shares will be issued at the same time that other New Shares are issued under the Offer.

Shareholders may apply for any Shortfall Shares by completing the relevant Shortfall Shares section in the Entitlement and Acceptance Form and sending it to the Share Registry with payment by cheque or BPAY on the same terms as in section 4.2.

- (c) Allocation of Shortfall Shares

The Company will allow Eligible Shareholders, in addition to applying for all of their Entitlements, to apply for such further number of Shortfall Shares which the Eligible Shareholder may specify in the Entitlement and Acceptance Form.

In the event that there is no Shortfall, the Application Monies relating to the Shortfall will be returned to the Eligible Shareholder as soon as practicable following the Closing Date without interest.

In the event that applications from Eligible Shareholders to participate in the Shortfall exceed the number of Shortfall Shares, those applications will be scaled back at the discretion of the directors however the Directors will have regard to any potential control effects of the Rights Issue on the Company.

The Directors will have discretion as to how to allocate Shortfall Shares, however, the Company intends to allocate Shortfall Shares in accordance with the following priorities:

- (i) first priority will be given to Eligible Shareholders that have subscribed for their full Entitlement provided that the issue of the Shortfall Shares will not result in the applicant's voting power in the Company exceeding 20%; and
- (ii) second priority will be given to third parties applying for Shortfall Shares by the Closing Date.

If there are still Shortfall Shares which have not been subscribed for, the Directors may at their complete and absolute discretion place the Shortfall Shares with any third party, at not less than the issue price. The Directors will attempt to place those Shortfall Shares within 3 months of the Closing Date as required by Exception 3 to ASX Listing Rule 7.1 and 7.1A, as set out in ASX Listing Rule 7.2.

In the event that applications from Eligible Shareholders to participate in the Shortfall exceed the number of Shortfall Shares, those applications will be scaled back at the discretion of the directors however the Directors will have regard to any potential control effects of the Rights Issue on the Company.

- (d) No guarantee of Shortfall Shares

Application for Shortfall Shares with moneys does not guarantee any allotment of any Shortfall Shares. All Application Money in relation to which Shortfall Shares are not allocated will be returned without interest.

It is your responsibility to ensure that you will not breach the takeovers provisions in the Corporations Act by applying for Shortfall Shares.

#### 4.4 To allow your Entitlement to lapse

If you are a Shareholder and do not wish to accept all (or part) of your Entitlement, you are not obliged to do anything. You will receive no benefit or New Shares.

If you wish to receive a benefit, you must take action to accept the whole or part of your Entitlement in accordance with the instructions above and on the back of the accompanying Entitlement and Acceptance Form, rather than allowing them to lapse.

The number of Existing Shares you hold as at the Record Date and the rights attached to those Existing Shares will not be affected if you choose not to accept any of your Entitlement.

#### 4.5 Entitlement and Acceptance Form is binding

A completed and lodged Entitlement and Acceptance Form constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Offer Document and, once lodged, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly, it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By completing and returning your Entitlement and Acceptance Form with the requisite Application Monies, you will be deemed to have represented that you are an Eligible Shareholder. In addition, you will also be deemed to have represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence and/or where you have been given the Offer Document and Entitlement and Acceptance Form, does not prohibit you from being given the Offer Document and Entitlement and Acceptance Form and that you:

- (a) agree to be bound by the terms of the Offer;
- (b) declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;

- (c) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- (d) authorise the Company and its respective officers or agents, to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Share Registry using the contact details set out in the Entitlement and Acceptance Form;
- (e) declare that you are the current registered holder of Shares and are resident in Australia and New Zealand;
- (f) acknowledge that the information contained in, or accompanying, the Offer Document and Entitlement and Acceptance Form is not investment or financial product advice or a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs; and
- (g) acknowledge that the New Shares have not, and will not be, registered, qualified or otherwise permitted to be offered or sold to the public under the securities laws in any other jurisdictions outside Australia.

If you have any queries concerning your Entitlement or allocation, please contact:

Elizabeth Hunt, Company Secretary between 9.00am and 5.00pm (Sydney time) on business days by calling +61 8 9481 0389 or contact your stockbroker or professional adviser.

## 5 Purpose and effect of the Offer

### 5.1 Purpose of the Offer and use of funds

The purpose of the Offer is to raise approximately \$2,037,500 (before costs of the Offer).

The funds raised from the Offer will be used as follows:

Use	Amount
Syn Dynamics Australia Pty Ltd Pilot Plant and operating costs	\$1,000,000
Working capital, including costs of the Offer	\$537,500
New investment capital	\$500,000
<b>Total</b>	<b>\$2,037,500</b>

The Directors are of the opinion that on completion of the Offer there will be sufficient working capital for the Company to meet its stated objectives. The above figures are subject to amendment by the Directors.

### 5.2 Effect on Capital Structure

If the Offer is fully subscribed, the effect of the Offer on the capital structure of the Company will be as follows:

	Number
Shares currently on issue	815,000,057
Maximum number of New Shares to be issued under this Offer Document	407,500,028
Maximum total Shares on issue after completion of the Rights Issue	1,222,500,085

### 5.3 Effect of the Offer on Control

If all Eligible Shareholders take up their Entitlements in full (assuming no further issue of securities by the Company) the Offer will not diminish the percentage shareholding and voting power of each Eligible Shareholder. If some Eligible Shareholders do not take up their Entitlement in full, then their percentage shareholding and voting power in the Company will be diluted.

The percentage shareholding and voting power of Ineligible Shareholders will also be diluted by New Shares issued under the Offer.

The Company has lodged with ASX a notice in accordance with section 708AA of the Corporations Act which sets out, among other things, the effect of the Offer on the control of the Company. This notice may be viewed on the website of the Company and ASX.

Based on the holdings of Shareholders as set out in the Company's share register at the date of this Offer Document, no Shareholder following a take up of their Entitlements will increase their shareholding to more than 20% of the Company's issued capital.



## **6 Key risk factors**

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### **6.1 Overview**

The New Shares offered under this Offer Document should be regarded as speculative due to the inherent risks associated with the Company's activities. Neither the Company nor the Directors warrant the future performance of the Company or any investment made pursuant to this Offer Document.

The Directors recommend that Shareholders and potential investors examine the contents of this Offer Document together with previous ASX disclosures and public documents of the Company, including its most recent audited financial statements, and rely on advice of their professional advisers before deciding whether or not to apply for New Shares pursuant to this Offer Document.

### **6.2 General risk factors**

Fluctuations in the global economic conditions as well as general trends in the Australian and overseas markets may affect the trading price of the Company's Shares on the ASX. An investment in the Company involves general risks associated with any investment in shares of companies that are listed on the ASX. The following summary of the general risk factors, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

#### **(a) Fluctuations in the stock market**

The price of securities listed on the ASX may rise or fall due to numerous factors which may affect the market performance of the Company including:

- (i) general economic conditions, including inflation rates and interest rates;
- (ii) variations in the local and global markets for listed Shares in general;
- (iii) changes to government policy, legislation or regulation;
- (iv) competition in the industries in which the Company and its subsidiaries operate; and
- (v) general operational and business risks.

The Offer carries no guarantee in respect of profitability, dividends, return of capital or the price at which Shares trade on the ASX.

#### **(b) Political Risk**

A change in the governing political party at either a state or federal level may result in a change in government policy. If an opposing political party assumes power, its policy may be substantially different from that of the current government's and may modify the development or require the Company to renegotiate its projects. Further, the extent of the impact of a policy change on the Company's projects (if any) that may result from an election or change of government at this stage is unknown.

War or terrorist attacks anywhere in the world could result in a decline in economic conditions worldwide or in a particular region, which could produce an adverse effect on the business, financial condition and financial performance of the Company.

## (c) Changes in regulatory environment

The introduction of new legislation or amendments to existing legislation, developments in common law, or the interpretation of legal requirements in any of the jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately the financial performance of the Company. In addition, there is a risk that legal action may be taken against the Company in relation to its operations.

## (d) Taxation

Future changes to tax law or changes to the way in which taxation laws are interpreted in the various jurisdictions in which the Company operates or makes underlying investments may correspondingly impact the taxation liability of the Company or the value of its assets.

There are tax implications arising from purchasing and selling Shares, receiving distributions from the Company, and participation in any on-market Share buy-backs. Accordingly, investors should seek their own independent taxation advice before applying for New Shares under the Offer.

## (e) Insurance risks

Although insurance is maintained by the Company, no assurance can be given that adequate insurance will continue to be available to the Company in the future on commercially acceptable terms.

In addition, the Company may incur liabilities to third parties (in excess of any insurance cover or statutory reserves) arising from negative environmental impacts or other damages or injury. There is a risk of an occurrence of a significant event leading to losses that are not fully covered by insurance.

## (f) Other external factors:

Other external factors that may affect the value of the New Shares include (but are not limited to):

- (i) changes in investor sentiment toward particular market sectors;
- (ii) changes in interest rates and the rate of inflation;
- (iii) the demand for, and supply of, capital;
- (iv) changes in exchange rates;
- (v) changes to accounting standards; and
- (vi) the nature of competition in the industries in which the Company operates.

### 6.3 Specific Risk factors

## (a) Additional Requirements for Capital

The Company's ability to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds.

The Company may seek to raise further funds through equity or debt financing, joint ventures or other means. Market conditions which are then generally prevailing will impact on the price or cost at which the Company will be able to raise such funds and no assurance can be given that such funding will be available on terms acceptable to the Company. Failure to obtain sufficient financing for the Company's activities may result in delay and indefinite postponement of the Company's business. There can be

no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its activities.

(b) New business opportunities and acquisitions

The Company has to date and will continue to actively pursue and assess other new business opportunities. The Company cannot confirm the structure or proposed form of any potential business opportunity.

The acquisition of a business or asset may require the payment of monies (as a deposit) after only limited due diligence and prior to the completion of comprehensive due diligence. There can be no guarantee that any proposed acquisition will be completed or successful. If the proposed acquisition is not completed, monies already advanced may not be recoverable, which may have a material adverse effect on the Company.

If an acquisition is completed, the Directors will need to reassess, at that time, the funding allocated to current activities and the new business and/or assets, which may result in the Company reallocating funds from its existing activities and/or the raising of additional capital (if available). Furthermore, notwithstanding that an acquisition may proceed upon the completion of due diligence, the usual risks associated with the new business activities will remain.

Any new asset or business acquisition may change the risk profile of the Company, particularly if the new asset or business is located or operates in another jurisdiction and/or changes the Company's capital/funding requirements. Should the Company propose or complete the acquisition of a new asset or business activity, investors should re-assess their investment in the Company in light of the new asset/business activity.

(c) Market for Shares

There can be no guarantee that an active market in the Company's Shares will exist in the future.

## **7 Additional information**

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### **7.1 Disclosing Entity**

The Company is a disclosing entity for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to ASX which a reasonable person would expect to have a material effect on the price or the value of the Company's Shares.

This Offer Document contains a summary of information only which the Company does not purport to be complete. The Offer Document is intended to be read in conjunction with the Company's periodic and continuous disclosure announcements lodged with the ASX.

Copies of the Company's announcements can be obtained from the ASX website [www.asx.com.au](http://www.asx.com.au) or the Company's website [www.chapmansltd.com](http://www.chapmansltd.com).

### **7.2 Rights Issue Offer Document**

This Offer Document is issued pursuant to section 708AA of the Corporations Act without disclosure to investors under Part 6D.2 of the Corporations Act. Accordingly, this Offer Document contains a summary of information only which the Company does not purport to be complete.

Pursuant to the conditions imposed on the Company by section 708AA of the Corporations Act, the Company provided ASX with a notice that complied with the requirements of section 708AA(7) on 3 September 2017. In addition to certain minor and technical matters that notice was required to:

- (a) set out any information that had been excluded from a continuous disclosure notice in accordance with the Listing Rules and that investors and their professional advisers would reasonably require, and would reasonably expect to find in a disclosure document, for the purpose of making an informed assessment of:
  - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
  - (ii) the rights and liabilities attaching to the New Shares; and
- (b) state the potential effect of the issue of the New Shares on the control of the Company and the consequences of that effect.

### **7.3 Information availability**

Eligible Shareholders can obtain a copy of this Offer Document during the period of the Offer on the Company's website at [www.chapmansltd.com](http://www.chapmansltd.com) or by calling the Company Secretary on +61 8 9481 0389. Persons who access the electronic version of this Offer Document should ensure that they download and read the entire Offer Document and the other relevant information to which it refers.

The electronic version of this Offer Document will not include an Acceptance Form. A replacement Entitlement and Acceptance Form can be requested by calling the Share Registry on 1300 992 916 (within Australia) or +61 3 9628 2200 (from outside Australia).

### **7.4 Past Performance**

Investors should note that the past Share price performance provides no guidance as to future Share price performance.

**7.5 Taxation**

Shareholders should be aware that there may be taxation implications in participating in the Offer and subscribing for New Shares. The Directors do not consider that it is appropriate to give Shareholders advice regarding the taxation consequences of the Company conducting the Offer or Shareholders applying for New Shares, as it is not possible to provide a comprehensive summary of the possible taxation positions of Shareholders. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Shareholders. Shareholders should, therefore, consult their own professional tax adviser in connection with the taxation implications of accepting the Offer.

## 8 GLOSSARY

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**\$ and dollars** means Australian dollars, unless otherwise stated.

**Applicant** means an Eligible Shareholder who submits an Application.

**Application** means an application for New Shares pursuant to the Entitlement and Acceptance Form.

**Application Money** or **Application Monies** means money received from an Eligible Shareholder in respect of their Application.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) or the market operated by that entity, as the context requires.

**ASX Settlement** means ASX Settlement Pty Ltd (ABN 49 008 504 532).

**ASX Settlement Operating Rules** means the settlement rules of ASX Settlement.

**Board** means the board of Directors.

**CHESS** means ASX Clearing House Electronic Sub-register System.

**Closing Date** means 20 October 2017 or such other date as may be determined by the Directors under this Offer Document.

**Company** or **CHP** means Chapmans Limited (ACN 000 012 386).

**Corporations Act** means the *Corporations Act 2001* (Cth), including as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84) in relation to the Offer.

**Director** means the directors of the Company.

**Eligible Shareholder** means a Shareholder as at 7.00pm EST on the Record Date with a registered address in Australia and New Zealand.

**Entitlement** or **Right** means a Shareholder's entitlement to subscribe for New Shares offered under this Offer Document.

**Entitlement and Acceptance Form** means the entitlement and acceptance form attached to or accompanying this Offer Document.

**Existing Share** means a fully paid ordinary share in the capital of the Company on issue as at the Record Date.

**Ineligible Shareholders** means Shareholders with registered addresses, as at the Record Date, outside of Australia and New Zealand.

**Listing Rules** or **ASX Listing Rules** means the official listing rules of the ASX.

**New Share** means a fully paid ordinary share in the capital of the Company to be issued under the Offer.

**Offer** means the offer of New Shares under this Offer Document (including the Rights Issue and Shortfall Offer).

**Offer Document** means this document, including any supplements or replacements to this document.

**Offer Period** means the period ending on the Closing Date during which Applicants can submit an Application.

**Record Date** means 6 October 2017.

**Rights Issue** means the offer to Eligible Shareholders of up to 407,500,028 New Shares at an issue price of \$0.005 per New Share on the basis of one (1) New Share for every two (2) Existing Shares held at the Record Date.

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

**Shareholder** means a holder of a Share.

**Share Registry** means Security Transfer Australia Pty Ltd.

**Shortfall** will occur if the Company does not hold successful valid Applications for all the New Shares offered by the Company under the Offer by the Closing Date.

**Shortfall Offer** means the offer of Shortfall Shares.

**Shortfall Shares** means New Shares for which successful valid Applications have not been received by the Closing Date.

## **Corporate Directory**

### **Directors**

**Mr Peter Dykes** – Executive Chairman

**Mr Dato' Muhamad Adlan bin Berhan** – Executive Director

**Mr Anthony Dunlop** – Director & Chief Investment Officer

**Mr Chris Newport** – Non-Executive Director

### **Company Secretary**

**Mrs Elizabeth Hunt**

### **Registered office and principal place of business**

Level 10, 52 Phillip Street

Sydney NSW 2000

Telephone: 02 9300 3630

Facsimile: 02 9300 3677

Website: [www.chapmansltd.com](http://www.chapmansltd.com)

### **Share Registry**

Security Transfer Australia Pty Ltd

Suite 511, 155 King Street

Sydney NSW 2000

Email: [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)

Telephone: 1300 992 916

Facsimile: +61 (0)8 9315 2233

### **Australian Legal Advisors**

Thomson Geer

Level 25, 1 O'Connell Street

Sydney NSW 2000

### **Stock Exchange listing**

Chapmans Limited shares are listed on the Australian Securities Exchange (ASX) and the ASX code is "CHP"