CHESAPEAKE CAPITAL LTD

ABN: 80 106 213 772

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2017

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CHESAPEAKE CAPITAL LTD

DIRECTORS' REPORT

The directors present their report together with the financial report of Chesapeake Capital Ltd for the financial year ended 30 June 2017 and auditor's report thereon.

Directors Names

The names of the directors in office at any time during or since the end of the financial year are:

James Cullen	Appointed 17 July 2015
Ian Macliver	Appointed 31 August 2015
Aaron Constantine	Appointed 31 August 2015
Bernard Romanin	Appointed 30 May 2008

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

As a Pooled Development Fund (PDF) Company, Chesapeake Capital Ltd ("Chesapeake" or "the Company") is regulated under the PDF Act, which is administered by Innovation Australia (a Federal Government entity). Innovation Australia approved a revised Investment Plan for Chesapeake on 19 February 2015 that allows it to invest in a wide range of emerging listed and unlisted companies across a variety of sectors.

There has been no significant change in the nature of these activities during the financial year.

Results

The profit after income tax attributable to the members of Chesapeake was $ 241,874 (2016: profit of $639,264).

Review of Operations

During the year Chesapeake continued to seek investments in a concentrated portfolio of companies, both listed and in pre-IPO stage, through the provision of new equity capital under the PDF framework. The Company's aim is to generate returns in excess of the S&P Small Ordinaries Accumulation Index.

For the year ended 30 June 2017 the company generated a return of 9.2%, compared to the S&P Small Ordinaries Accumulation Index of 7.0%. The Directors are generally pleased with performance for the year, noting that results were impacted by a late June sell off in small cap companies. This reduced returns for the year, however, subsequent to 30 June 2017 there has been a solid recovery in the portfolio value.

The Net Tangible Asset ("NTA") value per share at 30 June 2017 was 26.7 cents. This compares favourably to the NTA value per share of 17 cents per share following the recapitalisation of the company which occurred at the end of June 2015.

During the year the Company realised some of its "paper" gains from the previous year, reducing holdings in order to maintain a balanced portfolio and to generate cash for new investments. One of our investee companies, Mareterram Limited, received a partial (50%) takeover offer which the directors of Chesapeake accepted, realising a 75% gain on the shares that were sold into the offer.

A capital raising of $750,000 (before costs) was completed in December 2016 to access additional funds, augmenting the Company's ability to invest in new opportunities.

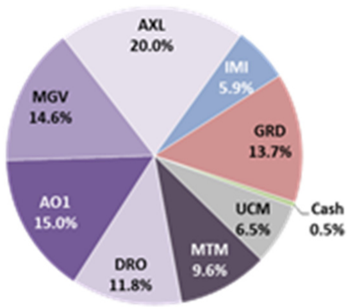
Four new investments were made during the year in the following companies:

- Axsess Today - a listed specialist provider of equipment finance for small and medium sized enterprises.
- Musgrave Minerals – a listed gold and base metal exploration and development company with three projects in Australia.
- GRD Franmarine – an unlisted public company which has developed a revolutionary new fully enclosed capture and containment hull cleaning technology.
- IM Medical – a listed company which proposes to acquire a specialist pumping and power service company as part of a reverse takeover by Babylon Pump and Power.

In addition the Company continues to hold investments in all four listed companies that it held at 30 June 2016 - Mareterram, Uscom, AssetOwl and Droneshield.

For all investments which have listed securities trading on the Australian Stock Exchange (excluding IM Medical, which is to undertake a recompliance listing as part of the Babylon reverse takeover) all securities are trading above Chesapeake's cost basis.

The portfolio distribution of assets at 30 June 2017 is as follows:



As the Company's Net Asset Value continues to rise and with the favourable tax treatment afforded to dividends paid (tax free or franked to 30%, at the election of each Chesapeake shareholder), it is the Directors' intention to commence dividend payments subject to the availability of franking credits.

Significant Changes in State of Affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this financial report.

After balance date events

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely Developments

The company will continue to pursue its operating strategy to create shareholder value. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the entity.

Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends Paid, Recommended, and Declared

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Share Options

No options over unissued shares were granted during or since the end of the financial year.

Shares Under Options

Unissued ordinary shares of Chesapeake under option at the date of this report are as follows:

Date Options Granted	Opening balance	Movement	Closing balance	Issue price of shares	Expiry date of the options
TOTAL	9,653,349	-	9,653,349	25.0 cents	30 June 2018

No option holder has any right under the options to participate in any other share issue of the company.

Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a director at any time during or since the end of the financial year is provided below, together with details of the company secretary as at the year end.

James Cullen
B Com, CA, F Fin, FAIC, AIGA, ACIS

Non-Executive Chairman and Joint Company Secretary
Director since 17 July 2015

Mr Cullen is a qualified Chartered Accountant with extensive experience as a chief executive officer and board member of two ASX-listed mining services companies, each commencing in the microcap space and growing significantly in market capitalisation before being taken over.

He has a strong financial and governance background with commercial and practical experience in growing microcap businesses domestically and internationally.

Most recently (from June 2015) Mr Cullen has been CEO of Pacific Energy Ltd, a publicly listed power station developer and operator.

Earlier in his career, Mr Cullen worked in the audit team at PriceWaterhouse Coopers (1984 to 1989) and with 21st Century Film Corporation Inc. and Columbia Pictures Industries Inc. (1989 to 1994).

Ian Macliver
B Com, FCA, SF Rin, FAICD

Non-Executive Director
Director since 31 August 2015

Mr Macliver is a qualified Chartered Accountant who founded Grange Consulting Group Pty Ltd ("Grange") in 1995. Grange is a boutique provider of specialist corporate advisory services to listed and unlisted companies. He is Executive Chairman of Grange.

Mr Macliver has been chairman or director of numerous listed and private companies over the past 20 years including Chairman of Western Areas Limited. He has held senior executive positions in a number of listed companies.

He has significant M&A experience, both advisory and practical and extensive due diligence and business valuation experience. He is highly experienced in general corporate finance and debt/equity raisings.

Mr Macliver was formerly with Arthur Andersen.

Information on Directors and Company Secretary (continued)

Aaron Constantine
B Com, B Econ, F Fin, MAICD, MSSAA

Non-Executive Director
Director since 31 August 2015

Mr Constantine has been employed by Patersons Securities Limited ("Patersons") for almost 32 years, including Executive Director since 1990, during which time Patersons has grown to become one of Australia's larger independently owned, full service stockbrokers. He has been Head of Corporate Finance since 1999.

Mr Constantine manages a team of 20 which has become the most active arranger (by number of new equity issues) in Australia since 2003 (refer the Thomson Reuters Global Equity Capital Markets Review league tables) and regularly ranks in the top 15 by value.

Mr Constantine has ranked in the East Coles top 10 Best Investment Bankers 2010-2013 (#1 2011) and the top 4 Equity Capital Markets Bankers over the same period (#1 2011). In 2014 he was awarded the Best Independent Investment Banker and Best Independent ECM Banker.

He has significant experience in structuring equity investments and executing capital raisings and has extensive merger and acquisition experience.

Bernie Romanin
B App Sci, Grad Dip Marketing

Non-Executive Director and Joint Company Secretary
Director since 30 May 2008

Mr. Romanin has healthcare experience in Diagnostics, Pharmaceuticals and Medical Devices gained over 35 years in Australia and internationally.

Most recently Mr Romanin was CEO of Evivar Medical Pty Ltd which was acquired by a European Bioinformatics Company in 2013.

Mr Romanin has extensive commercial expertise in sales and marketing, technology licensing and partnership management. He has experience in managing start-up and new market business opportunities.

During almost a decade in the USA with Chiron and Novartis, he has directed market development activities to identify, validate and commercialise new opportunities in diagnostics in the areas of Infectious Diseases (Hepatitis and HIV/AIDS), Oncology, Cardiovascular Disease and Metabolic Disorders.
Mr Romanin has experience in dealing with investors, analysts, brokers and shareholders associated with a public company.

Directors' Meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Directors Meetings	
	Eligible to attend	**Attended**
James Cullen	4	4
Ian Macliver	4	3
Aaron Constantine	4	4
Bernard Romanin	4	4

Directors' Interests in Shares or Options

Directors' relevant interests in shares of Chesapeake or options over shares in the company are detailed below.

Directors' relevant interests in:	Ordinary Shares	Share Options
James Cullen	1,732,000	1,554,001
Ian Macliver	600,000	720,001
Aaron Constantine	1,932,000	1,748,000
Bernard Romanin	6,544	-

The information includes shares and options held by Directors and their related parties.

Indemnification and insurance of directors, officers and auditors

During or since the end of the year, the company has paid premiums in respect of an insurance contract in order to indemnify the directors of the company against liabilities that may arise from their position as officers of the company. Officers indemnified include all directors and executive officers participating in the management of the company.

Further disclosure required under section 300(9) of the corporation's law is prohibited under the terms of the contract.

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the company.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Non audit Services

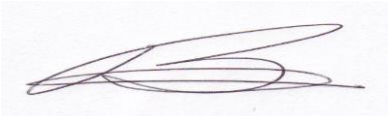
Non-audit services are approved by the board of directors. Non-audit services were provided by Pitcher Partners. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.*

	2017 $	2016 $
Amounts paid and payable to Pitcher Partners Melbourne for non-audit services:		
Taxation services	3,773	4,961

Rounding

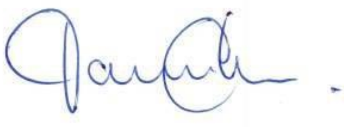
In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial statements have been rounded to the nearest dollar.

Signed in accordance with a resolution of the Board of Directors:



Director

Bernard Romanin



Director

James Cullen

Dated this 18th day of August 2017.

PITCHER PARTNERS

CHESAPEAKE CAPITAL LTD

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF CHESAPEAKE CAPITAL LTD

In relation to the independent audit for the year ended 30 June 2017, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

P A JOSE
Partner

PITCHER PARTNERS
Melbourne

22 August 2017

CHESAPEAKE CAPITAL LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $	2016 $
Revenue and other income			
Revenue	5	356,253	843,736
Less: Expenses			
Administrative expenses		(76,664)	(94,371)
		279,589	749,365
Finance Costs	6(a)	-	(1,851)
Profit before income tax expense		279,589	747,514
Income tax expense	7	(37,715)	(108,250)
Net Profit from continuing operations		241,874	639,264
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		241,874	639,264
Profit/(Loss) is attributed to:			
Members		241,874	639,264
Total comprehensive income attributable to:			
Members		241,874	639,264

The above statement should be read in conjunction with the accompanying notes.

CHESAPEAKE CAPITAL LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017	2016
		$	$
CURRENT ASSETS			
Cash and cash equivalents	8	27,763	252,053
Other financial assets	9	3,313,949	2,059,882
Other current assets	10	10,965	12,488
TOTAL CURRENT ASSETS		3,352,677	2,324,423
TOTAL ASSETS		3,352,677	2,324,423
CURRENT LIABILITIES			
Trade and other payables	11	20,433	10,237
Current tax liability	7	35,162	-
TOTAL CURRENT LIABILITIES		55,595	10,237
NON CURRENT LIABILITIES			
Deferred Tax Liability	7	110,803	108,250
TOTAL NON CURRENT LIABILITIES		110,803	108,250
TOTAL LIABILITIES		166,398	118,487
NET ASSETS		3,186,279	2,205,936
EQUITY			
Share capital	12	16,850,445	16,111,976
Accumulated losses		(13,664,166)	(13,906,040)
TOTAL EQUITY		3,186,279	2,205,936

The above statement should be read in conjunction with the accompanying notes.

CHESAPEAKE CAPITAL LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Share Capital $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2015		16,061,976	(14,545,304)	1,516,672
Profit for the year		-	639,264	639,264
Total comprehensive income for the year		-	639,264	639,264
Transactions with owners in their capacity as owners and other transfers:				
Issue of ordinary shares (net of share issue costs)	12	50,000	-	50,000
Total transactions with owners and other transfers		50,000	-	50,000
Balance at 30 June 2016		16,111,976	(13,906,040)	2,205,936
Profit for the year		-	241,874	241,874
Total comprehensive income for the year		-	241,874	241,874
Transactions with owners in their capacity as owners and other transfers:				
Issue of ordinary shares (net of share issue costs)	12	738,469	-	738,469
Total transactions with owners and other transfers		738,469	-	738,469
Balance as at 30 June 2017		16,850,445	(13,664,166)	3,186,279

The above statement should be read in conjunction with the accompanying notes.

CHESAPEAKE CAPITAL LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017	2016
		$	$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		9,161	22,000
Payments to suppliers and employees		(64,945)	(98,628)
Interest received		4,154	12,568
Finance costs		-	(1,851)
Net cash used in operating activities	13	**(51,630)**	**(65,911)**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		788,621	517,588
Payment for investments		(1,699,750)	(1,768,302)
Net cash used in investing activities		**(911,129)**	**(1,250,714)**
CASH FLOW FROM FINANCING ACTIVITIES			
Net Proceeds from issue of shares		738,469	50,000
Net cash provided by financing activities		**738,469**	**50,000**
Net decrease in cash held		(224,290)	(1,266,625)
Cash at beginning of financial year		252,053	1,518,678
Cash at end of financial year	8	**27,763**	**252,053**

The above statement should be read in conjunction with the accompanying notes.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of Preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Chesapeake Capital Ltd is a company limited by shares, incorporated and domiciled in Australia. The address of Chesapeake Capital Ltd's registered office and principal place of business is c/o: Minters Ellison Lawyers, Level 23, South Rialto Towers, 525 Collins Street, Melbourne, VIC, 3000. Chesapeake Capital Ltd is a for-profit entity for the purpose of preparing the financial statements

The financial report was authorised for issue by the directors on as at the date of the directors' report.

Compliance with IFRS

The financial statements of Chesapeake Capital Ltd also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Significant accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the company's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(b) Going concern

The financial report has been prepared on a going concern basis.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest revenue is measured in accordance with the effective interest method.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(e) Impairment of Non-Financial Assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(f) Income Tax

The Company Chesapeake Capital Ltd is a registered Pooled Development Fund (PDF). The PDF program was established by the Federal Government in 1993 to encourage investment in small and medium-sized Australian enterprises. The PDF Act is administered by the Venture Capital Committee (Committee).

Favourable tax treatment is available for both the Company, and its shareholders: There is no capital gains tax on the sale of shares held by a shareholder in a PDF. Shareholders may elect to treat dividends paid by the company as tax exempt or treat the franked amount of any such dividend as assessable income in order to receive the benefit of the attached franking credits. The Company pays a corporate tax rate of 15% on PDF investment income and 25% on other income.

To maintain its status as a PDF, the Company must comply with the regulations imposed by the Pooled Development Funds Act 1992. The Company has to conduct its investment activities in accordance with the following:

- It must invest 65% of its raised capital within five years of the raising;
- It may only invest in new shares in Australian companies;
- It must invest a minimum of $500,000 in each investment or, if it invests a lesser sum, take a minimum 10% equity in the investee company;
- Investee companies must have less than A$50 million in total assets;
- The funds invested by the Company must be used to establish an eligible business, to substantially expand production capacity or to substantially expand existing markets of an eligible business.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(h) Borrowing Costs

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

(i) Financial Instruments

Classification

The company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation by key management personnel. Investments in listed securities are carried at fair value through profit or loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in profit or loss of the current period. Fair value of listed investments are based on closing prices at the reporting date.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and the group intends to hold the investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (continued)

Non-listed investments for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment as a result of one or more events ('loss events') having occurred and which have an impact on the estimated future cash flows of the financial assets.

For loans and receivables and held-to-maturity investments carried at amortised cost, impairment losses are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Individual receivables and held-to-maturity investments that are known to be uncollectible are written off to profit or loss by reducing the carrying amount of the asset directly. For other receivables and held-to-maturity investments, estimated impairment losses are recognised in a separate provision for impairment. The company applies the following criteria as objective evidence that an impairment loss has occurred:

- significant financial difficulties of the debtor;
- payments more than 30 days overdue and failure by the debtor to adequately respond to a follow-up request for payment;
- payment more than 90 days overdue;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- the consolidated entity, for reasons relating to the debtor's financial difficulty, granting to the debtor a concession the entity would not otherwise consider.

When it is concluded that it is probable the company will not recover the net carrying amount (gross carrying amount less impairment provisions) of an impaired receivable or held-to-maturity investment, the allowance amount attributable to the asset is written off directly against the gross carrying amount of the asset.

An available-for-sale financial asset is considered impaired if there has been a significant or prolonged decline in its fair value below its original cost. If an available-for-sale financial asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. For impaired equity investments, subsequent increases in the fair value of the investment are not reversed through profit or loss. For impaired debt investments, subsequent increases in the fair value of the investment are treated as a reversal of the impairment loss and recognised in profit or loss if the subsequent fair value increase can be objectively related to the previous impairment event.

For available-for-sale financial assets carried at cost because a fair value cannot be reliably determined, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(l) Rounding

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial statements have been rounded to the nearest dollar.

(m) New and revised accounting standards effective at 30 June 2017

The Company has adopted the following new and revised accounting standards for the first time for their annual reporting period ending 30 June 2017.

AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (applicable for annual reporting periods commencing on or after 1 January 2016).

This Amending Standard amends a number of Australian Accounting Standards arising from the issuance of Annual Improvements to IFRSs 2012-2014 Cycle by the International Accounting Standards Board (IASB), including:

AASB 5: Non-current Assets Held for Sale and Discontinued Operations to clarify the accounting treatment of an asset held for sale that is reclassified as held for distribution to owners, and the reclassification of assets no longer held for distribution to owners;

AASB 7: Financial Instruments: Disclosures to clarify: (a) what 'continuing involvement' means in the context of a transferred financial asset; and (b) the circumstances in which the offsetting disclosures in AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities apply to interim statements;

AASB 119: Employee Benefits to clarify that the discount rates used to measure defined benefit obligations should be determined based on the currency in which the obligations are denominated, rather than the country where the obligation is located; and

AASB 134: Interim Financial Reporting to clarify that certain disclosures may be incorporated in the interim financial statements by cross-reference to another part of the interim financial report.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) New and revised accounting standards effective at 30 June 2017 (continued)

AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (applicable for annual reporting periods commencing on or after 1 January 2016).

This Amending Standard makes a number of narrow-focus amendments that address concerns regarding the application of some of the presentation and disclosure requirements in AASB 101: Presentation of Financial Statements. These amendments include clarification that:

- an entity discloses its significant accounting policies (not a summary of those policies);
- specific line items in the statement of profit or loss and other comprehensive income and statement of financial position can be disaggregated;
- materiality applies in respect of items specifically required to be presented or disclosed, even when AASB 101 contains a list of specific requirements or describes them as minimum requirements;
- entities have flexibility in relation to the order in which they present their notes; and
- the requirements that apply when additional subtotals are presented in the statement of profit or loss and other comprehensive income and statement of financial position.

(n) Accounting standards issued but not yet effective at 30 June 2017

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of these new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant but applicable in future reporting periods is set out below.

AASB 15 Revenue from contracts with customers

AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15,
AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15,
AASB 2016-3: Amendments to Australian Accounting Standards – Clarifications to AASB 15 and AASB 2016-7: Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (applicable to for profit entities for annual reporting periods commencing on or after 1 January 2018 and to not-for-profit entities for annual reporting periods commencing on or after 1 January 2019).

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- Step 1: Identify the contracts with the customer;
- Step 2: Identify the separate performance obligations under the contracts;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations under the contracts; and
- Step 5: Recognise revenue when the company satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services. The effective date is annual reporting periods beginning on or after 1 January 2018.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Company's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Accounting standards issued but not yet effective at 30 June 2017 (continued)

AASB 9: Financial Instruments (December 2014), AASB 2014-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014), AASB 2014-8: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the entities financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(b) Fair value measurements

Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Refer to Note 4: Fair Value Measurements for the details of the fair value measure key assumptions and inputs.

NOTE 3: FINANCIAL RISK MANAGEMENT

The company is exposed to a variety of financial risks in respect to the financial instruments that it held at the end of the reporting period:

- Market price risk
- Interest rate risk
- Credit risk
- Liquidity risk

The board of directors has overall responsibility for identifying and managing operational and financial risk.

The entity holds the following financial instruments

	2017	2016
Financial assets	**$**	**$**
Cash and cash equivalents	27,763	252,053
Loans and receivables		
Receivables	10,965	12,488
Fair value through profit or loss		
Held for trading financial assets	3,313,949	2,059,882
	3,352,677	2,324,423
Financial liabilities		
Amortised cost		
Payables	20,433	10,237
	20,433	10,237

(a) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The Company's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the Board of Directors. In addition, in order for the company to maintain its status of a PDF the company must comply with the regulations imposed by the Pooled Development Funds Act 1992. Refer Note1 (f).

Sensitivity

Investments in listed securities at fair value through profit or loss are measured at fair value at reporting date based on current prices. If security prices were to increase/decrease by 10% from fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

Listed securities	**2017**	**2016**
+/- 10% price variation	**$**	**$**
Impact on profit after tax	281,686	175,090
Impact on equity	281,686	175,090

NOTE 3: FINANCIAL RISK MANAGEMENT (continued)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities are as follows:

2017	Non-Interest Rate Bearing $	Interest bearing $	Total $	Weighted average effective interest rate %	Fixed/ variable rate
Financial assets					
Cash at bank	10,859	16,904	27,763	1.40%	variable
Other current assets	10,965	-	10,965		
Other financial assets	3,313,949	-	3,313,949		
Total financial assets	**3,335,773**	**16,904**	**3,352,677**		
Financial liabilities					
Trade Creditors	8,433	-	8,433	-	
Other Payables	12,000	-	12,000	-	
Total financial liabilities	**20,433**	**-**	**20,433**		
2016					
Financial assets					
Cash at bank	27,556	224,497	252,053	1.47%	variable
Other current assets	12,488	-	12,488	-	-
Other financial assets	2,059,882	-	2,059,882	-	-
Total financial assets	**2,099,926**	**224,497**	**2,324,423**		
Financial liabilities					
Trade Creditors	1,237	-	1,237	-	-
Other Payables	9,000	-	9,000	-	-
Total financial liabilities	**10,237**	**-**	**10,237**		

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

Sensitivity

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then no significant impact on profit for the year and equity is expected.

(c) Financial risk

The company monitors their financial risk informally on a day to day basis and then formally at monthly Board meetings, where the financial position of the company is discussed in detail.

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash is available through the raising of equity.

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (continued)

Maturity Analysis

The tables below represent the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

	< 6 Months	6-12 Months	1-5 years	Total contractual cash flows	Carrying amount
Year ended 30 June 2017					
Cash and cash equivalents	27,763	-	-	27,763	27,763
Receivables	10,965	-	-	10,965	10,965
Other financial assets	-	3,313,949	-	3,313,949	3,313,949
Payables	(20,433)	-	-	(20,433)	(20,433)
Net maturities	**18,295**	**3,313,949**	**-**	**3,332,244**	**3,332,244**
Year ended 30 June 2016					
Cash and cash equivalents	252,053	-	-	252,053	252,053
Receivables	12,488	-	-	12,488	12,488
Other financial assets	-	2,059,882	-	2,059,882	2,059,882
Payables	(10,237)	-	-	(10,237)	(10,237)
Net maturities	**254,304**	**2,059,882**	**-**	**2,314,186**	**2,314,186**

(e) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

(f) Fair value compared with carrying amounts

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the statements of financial position and notes to the financial statements.

NOTE 4: FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

The following table provides the fair value classification of those assets and liabilities held by the Company that are measured either on a recurring or non-recurring basis at fair value

	Level 1 $	Level 2 $	Level 3 $	Total $
30 June 2017				
Recurring Fair Value Measurement				
Financial assets				
Financial assets at fair value through profit and loss	2,778,235	-	535,714	3,313,949
Total financial assets	2,778,235	-	535,714	3,313,949

	Level 1 $	Level 2 $	Level 3 $	Total $
30 June 2016				
Recurring Fair Value Measurement				
Financial assets				
Financial assets at fair value through profit and loss	1,990,447	69,435	-	2,059,882
Total financial assets	1,990,447	69,435	-	2,059,882

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

(b) Valuation techniques and inputs used in level 2 fair value measurements

2016	Fair value $	Valuation technique	Description of valuation technique and inputs used
Share Options	69,435	Black Scholes Model	The Black Scholes model is a mathematical model widely used to calculate the theoretical price of an option.

Significant inputs for the calculation are as following:

– The underlying share price	$0.25
– Exercise price	$0.25
– Expected life of the option	1.083
– Volatility of the share	35%
– Risk free interest rate	7%
– Dividend Yield	0%

(c) Valuation techniques and significant inputs used in level 3 fair value measurements

2017	Fair value $	Valuation technique	Description of valuation technique and inputs used
Unlisted equity Securities	535,714	(ii)	(ii)

(ii) The equity securities included in Level 3 of the hierarchy are investments in equity securities which are unlisted and therefore represent investments in an inactive market without observable inputs for valuation. The unlisted equity securities were purchased as part of a Pre-Initial Public Offering, a secondary capital raising was completed in March 2017 which raised $1.5 million at an issue price of 30¢ per share. The investment has been revalued at this most recent transaction price.

(d) Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 of the fair value hierarchy during the year.

(e) Reconciliation of recurring level 3 fair value movement

The following table presents the changes in level 3 items for the period for recurring fair value measurement:

	2017 $	2016 $
Unlisted equity Securities		
Opening balance	-	-
Acquisitions	500,000	-
Total gains recognised in profit	35,714	-
Closing balance	535,714	-

	2017	2016
	$	$

NOTE 5: REVENUE AND OTHER INCOME

	2017 $	2016 $
Revenue		
• Fair value gains on financial assets at fair value through profit or loss	235,612	743,580
• Net gain on sale of financial assets at fair value through profit or loss	107,326	65,588
• Interest	4,154	12,568
• Other	9,161	22,000
	356,253	843,736

NOTE 6: PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(Loss) before income tax from continuing operations includes the following specific expenses

(a) Expenses

	2017 $	2016 $
Remuneration of the auditor		
• Auditing or reviewing the financial statement	31,600	25,511
• Other service - Tax	3,773	4,961
	35,373	30,472
Finance costs		
• External	-	1,851

NOTE 7: INCOME TAX

(a) Components of tax expense:

	2017 $	2016 $
Current tax	35,162	-
Deferred tax	2,553	108,250
	37,715	108,250

(b) Prima facie tax payable

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

	2017 $	2016 $
Profit before tax from continuing operations	279,589	747,514
Total profit before income tax	279,589	747,514
Prima facie income tax payable on profit before income tax at 15% (2016: 15%)	41,938	112,127
Less tax effect of:		
- other	4,223	3,877
	4,223	3,877
Income tax expense attributable to profit	37,715	108,250

NOTE 7: INCOME TAX (Continued)	**2017 $**	**2016 $**
(c) Current tax		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	-	-
Income tax	35,162	-
Current tax liabilities	35,162	-
(d) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Tax losses carried forward	-	1,937
Accruals	1,800	1,350
	1,800	3,287
Deferred tax liabilities		
The balance comprises:		
Financial assets at fair value through profit or loss	112,603	111,537
	112,603	111,537
Net deferred tax liabilities	(110,803)	(108,250)
(e) Deferred income tax expense included in income tax expense comprises		
Decrease / (increase) in deferred tax assets	1,487	(3,287)
Increase in deferred tax liabilities	1,066	111,537
	2,553	108,250

As a result of the 2015 capital raising, the company’s ability to utilise previously disclosed unrecognised carried forward tax losses is uncertain, and therefore the amount of unrecognised prior year carried forward tax losses have not been disclosed.

	2017	2016
	$	$
NOTE 8: CASH AND CASH EQUIVALENTS		
CURRENT		
Cash at bank and on hand	27,763	252,053

	2017	2016
NOTE 9: OTHER FINANCIAL ASSETS		
CURRENT		
Financial assets at fair value through profit and loss:		
Shares in listed entities	2,600,159	1,845,202
Shares in unlisted entities	535,714	-
Options in listed entities	178,076	214,680
Total financial assets at fair value through profit or loss	3,313,949	2,059,882

	2017	2016
NOTE 10: OTHER CURRENT ASSETS		
CURRENT		
Prepayments	10,965	9,488
Other	-	3,000
Total other current assets	10,965	12,488

	2017	2016
NOTE 11: TRADE AND OTHER PAYABLES		
CURRENT		
Unsecured trade payables	8,433	1,237
Sundry payables and accrued expenses	12,000	9,000
	20,433	10,237

NOTE 12: ISSUED CAPITAL

	30 June 2017		30 June 2016	
	No. of Shares	**$**	**No. of Shares**	**$**
(a) Issued and paid up capital				
Ordinary shares	11,921,263	16,850,445	8,921,263	16,111,976
(b) Movement in shares on issue				
Ordinary shares				
Opening balance	8,921,263	16,111,976	2,180,295,710	16,061,976
Issue of ordinary shares	3,000,000	750,000	50,000,000	50,000
Share issue costs		(11,531)	-	-
Share Consolidation (i)	-	-	(2,221,374,447)	-
Closing balance	11,921,263	16,850,445	8,921,263	16,111,976

(i) On 4 September 2015 the entity completed a capital restructure involving a consolidation of its shares on a 250:1 basis (i.e. for every 250 shares held by a Shareholder, that Shareholder, after the consolidation holds one share).

NOTE 12: ISSUED CAPITAL (Continued)

(c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholder's meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(d) Share Options	**Note**	**2017 No.**	**2016 No.**
At the beginning of the reporting period		9,653,349	2,379,999,999
• 15 July 2015	(i)	-	33,333,333
• Share consolidation	(ii)	-	(2,403,679,983)
At the end of the reporting period		9,653,349	9,653,349

(i) As part of the share offer each share was issued with two attaching Options for every three Shares issued. Each Option is exercisable on payment of an exercise price of 25.0 cents (post the share consolidation referred to at (iii) below) at any time prior to 5.00pm (Perth time) on 30 June 2018.

(ii) On 4 September 2015 the entity completed a capital restructure involving a consolidation of its shares on a 250:1 basis (i.e. for every 250 shares held by a Shareholder, that Shareholder after the consolidation holds one share).

There have been no other share options issued since the beginning of the financial year.

NOTE 13: CASH FLOW INFORMATION

	2017 $	**2016 $**
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit from ordinary activities after income tax	241,874	639,264
Non-Cash Items:		
Profit on sale of financial assets at fair value through profit or loss	(107,326)	(65,588)
Fair value gains on financial assets at fair value through profit or loss	(235,612)	(743,580)
Changes in assets and liabilities:		
Decrease in other assets	1,523	17,977
Increase/(decrease) in trade and other payables	10,196	(22,234)
Increase in income tax payable	35,162	-
Increase in deferred tax	2,553	108,250
Cash flows used by operations	(51,630)	(65,911)

NOTE 14: RELATED PARTY TRANSACTIONS

Directors and Executives Compensation

(a) Details of Key Management Personnel

(i) Directors

James Cullen	Chairman & Joint Company Secretary - Non-Executive - Appointed 17 July 2015
Ian Macliver	Director – Non-Executive – Appointed 31 August 2015
Aaron Constantine	Director – Non-Executive – Appointed 31 August 2015
Bernard Romanin	Director & Joint Company Secretary - Non Executive - Appointed 30 May 2008

Directors & Executives Remuneration

	Short-Term		Post-Employment	Share-based payments	Total
	Salary Fees	Other	Superannuation	Shares	
2017	$	$	$	$	$
James Cullen	-	-	-	-	-
Ian Macliver	-	-	-	-	-
Aaron Constantine	-	-	-	-	-
Bernard Romanin	-	-	-	-	-
	-	-	-	-	-
2016					
James Cullen	-	-	-	-	-
Ian Macliver	-	-	-	-	-
Aaron Constantine	-	-	-	-	-
Bernard Romanin	-	-	-	-	-
	-	-	-	-	-

Number of options held by directors

2017	**Balance 1/07/16**	**Granted as remuneration**	**Net change other**	**Balance 30/06/17**
Directors	**Number**	**Number**	**Number**	**Number**
Jamie Cullen	1,554,001	-	-	1,554,001
Ian Macliver	720,001	-	-	720,001
Aaron Constantine	1,748,000	-	-	1,748,000
Bernard Romanin	-	-	-	-
	4,022,002	-	-	4,022,002

NOTE 14: RELATED PARTY TRANSACTIONS (continued)

Number of shares held by directors

2017	Balance 1/07/16	Granted as remuneration	Net change other	Balance 30/06/17
Directors	**Number**	**Number**	**Number**	**Number**
James Cullen	1,332,000	-	400,000	1,732,000
Ian Macliver	480,000	-	120,000	600,000
Aaron Constantine	1,332,000	-	600,000	1,932,000
Bernard Romanin	6,544	-	-	6,544
	3,150,544	-	1,120,000	4,270,544

(b) Number of shares held at the balance date by Key Management Personnel or Associated Entities:

There are no key management personnel other than directors.

(c) Other dealings with related parties

During the year the company paid an amount of $6,136 (2016 $1,656) in management fees, $11,531 in placement fees and $148 (2016 $1,078) in brokerage fees for services provided by Patersons Securities Limited a company related to Aaron Constantine.

NOTE 15: SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 1 to 28 are in accordance with the *Corporations Act 2001*:

   (a) complying with Australian Accounting Standards and the *Corporations Regulations 2001,* and other mandatory professional reporting requirements;

   (b) as stated in Note 1(a) the financial statements also comply with International Financial Reporting Standards; and

   (c) giving a true and fair view of the financial position of the company as at 30 June 2017 and of its performance for the year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Bernard Romanin

Director

James Cullen

Dated this 18th day of August 2017.

PITCHER PARTNERS

CHESAPEAKE CAPITAL LTD
ABN 80 106 213 772

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CHESAPEAKE CAPITAL LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Chesapeake Capital Ltd "the Company", which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Chesapeake Capital Ltd, is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's directors' report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

P A Jose
Partner

PITCHER PARTNERS
Melbourne

22 August 2017