

About Chesapeake Capital

Chesapeake Capital Limited (“**Chesapeake**” or the “**Company**”) is a Pooled Development Fund (“**PDF**”) that seeks to invest in a concentrated portfolio of generally listed companies, through the provision of new equity capital under the PDF framework so as to generate returns in excess of the S&P Small Ordinaries Accumulation Index. PDFs can only invest in companies with total assets of less than \$50m (but can retain investments if investee’s assets subsequently exceed \$50m, subject to Innovation Australia approval). The investment framework can be summarised as:

- Investments must be made by subscribing for new ordinary shares.
- Investments by a PDF must represent 10% or more of the “Issued Capital” of the investee company.
 - Individual investments cannot constitute more than 30% of the PDF’s “Issued Capital”. In securing a variation to its Investment Plan from Innovation Australia, Chesapeake Capital Limited may, until March 2020, “acquire less than 10 percent of the shares in an investee without first seeking approval from the Board” where the PDF invests at least \$500,000 into the investee company.
- PDFs cannot invest in businesses whose primary activities are retail operations or property development.

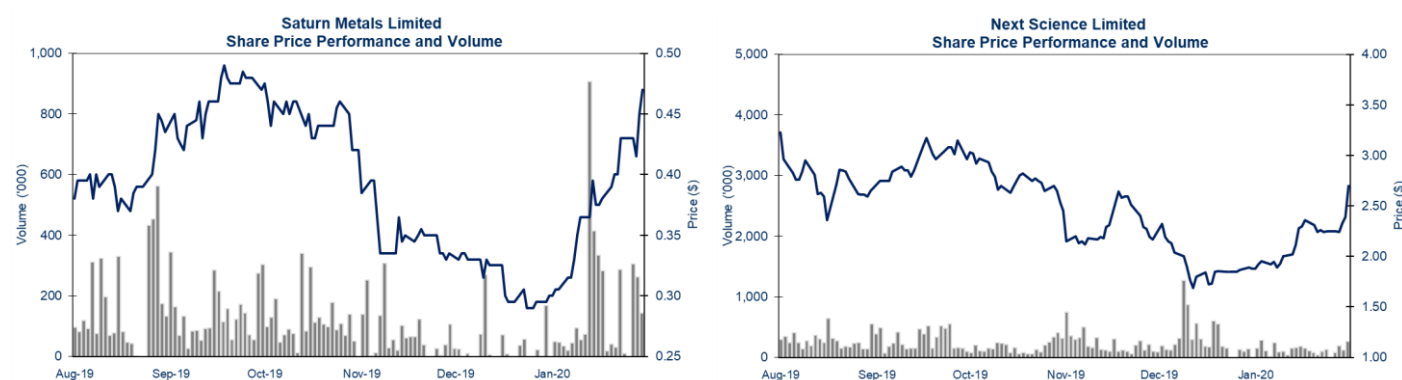
Performance Update

As at 31 December 2019	Dec'19 Quarter	Sept '19 Quarter	Jun '19 Quarter	FY'20
Chesapeake Capital Limited*	-11.1%	-0.9%	+8.1%	-7.0%
Small Ordinaries Accumulation Index	+0.7%	+3.1%	+3.7%	3.9%
All Ordinaries Accumulation Index	+0.7%	+2.8%	+7.8%	3.6%
Chesapeake Capital Limited NTA	\$2.51m	\$2.77m	\$2.79m	\$2.79m

Overview

The tide ebbed for many small companies in December on low volumes only to turn and flow across January as investors/interest returned to the market on increased volumes. Our valuations dipped into New Year but share prices have bounced back in January as we put pen to paper with shareholdings and cash of circa \$2.7m but with a provision for income tax of \$72k and an off-balance sheet intangible in a FITB of \$138k.

Having profitably trimmed back our Saturn investment (cost price of 35 cps) by 30%, the company’s share price experienced a spring tide into New Year before rebounding with January announcements, confirming our conviction that Saturn can deliver a significant gold resource upgrade over the next 6 months, thereby creating significant value. Next Science’s share price also enjoyed a similar share price movement with the January quarterly prompting positive analyst commentary (target price \$3.04 Vs our cost price of \$1.00).



The Babylon investment remains our largest both in size and impact. Its share price has been frustratingly trapped between 1.6c and 2.1c (~ cost of 1.7cps). We have held a view that Babylon shares are worth significantly more than current prices and that at some point the market will respond to the business build out that had receipts from customers of \$5.3m for the 4Q'19 (ASX announcement) making it \$8.8m for the IH'21 and annualised \$21.2m. We anticipate a stronger 2H'21 with a full 6 months of Babylon’s Queensland acquisition. All from a standing start 2 years ago.

The Palladium price has been on a strong run and anticipation around the well flagged upgrade to Podium’s Parks Reef platinum /palladium/gold resource amongst the very few investors who know the story is high. The M8 Sustainable Limited IPO listed and as the shares came to trade at a decent premium, the holding was lightened in order to replenish the cash position back towards \$0.5m so as to facilitate another investment opportunity.

Investments

NEXT SCIENCE[®]

SATURN METALS

M8
sustainable

BABYLON

PODIUM
MINERALS
LIMITEDAssetOwl^{Limited}
ABN 162 197 194

PDFs and Their Unique Advantage

- PDFs are a special type of Investment Company with a range of benefits over normal Investment Companies. The PDF structure was first established as a result of a Government initiative in 1992 to encourage investment into small to medium sized businesses in Australia. At the time Australia was emerging from a recession and microcap companies were finding it difficult to secure funding.
- Various attractive tax concessions were made available to investors in PDFs for income and capital gains derived in connection with their shareholding:
 - Half the prevailing corporate tax rate - Income from investments is taxed at a concessional rate of 15% rather than 30% under section 23(5)(a) of the Income Tax Rates Act 1986 ("ITRA");
 - No capital gains tax - Any capital gains made by investors holding their shares in the PDF on capital account are exempt from CGT under S118-13 of the Income Tax Assessment Act 1997 ("ITAA 1997") - conversely capital losses are non-deductible. Also, any tax-preferred income received by a PDF retains its character when it is passed through to PDF shareholders; and
 - Tax free dividends - Shareholders of a PDF may elect to treat dividends as tax exempt income or to treat the franked amount of any dividend as assessable income and receive a 30% franking credit (despite the corporate paying corporate tax at the rate of 15%, PDFs may frank dividends to 30%, enabling them to pass on a greater franking benefit to shareholders). In summary:
 - Unfranked dividends are tax exempt for an investor (s124ZM (1) of the Income Tax Assessment Act 1936 ("ITAA 1936")); and
 - Franked dividends are also tax exempt for an investor unless the investor makes an election to treat the franked dividend as assessable and receive a 30% franking credit (s124ZM(4) of the ITAA 1936).
- The PDF program closed to new applicants on 21 June 2007.
- The Pooled Development Fund Act 1992 ("PDF Act") and relevant tax law provisions continue to operate, and the relevant authorities (Innovation Australia) continues to support existing PDFs.
- PDFs cannot borrow (other than short-term borrowings in certain situations) so Chesapeake expects to remain debt free.

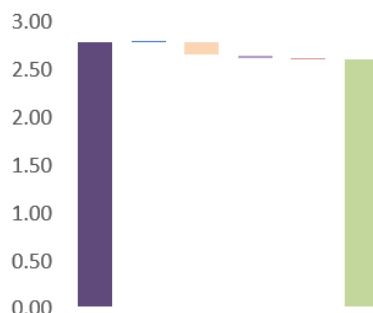
Corporate Snapshot

This snapshot reflects Chesapeake's evolution since inception with the make-up of its asset base as at 31 December 2019 is provided below. The unaudited NTA was \$2.51m (17.9¢ per share) with cash of circa \$0.5m.

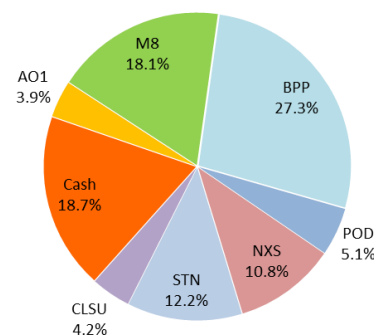
Directors	Position	Related Shareholding
James Cullen	Non Executive Director	14.9%
Aaron Constantine	Non Executive Chairman	19.9%
Ian Macliver	Non Executive Director	4.8%
Bernard Romanin	Non Executive Director	0.3%

As At 31 December 2019	\$'m
1 Jul 19 Opening Net Assets	2.79
New Capital (from end March)	0.00
Investment Gains	(0.29)
Operating Costs	(0.04)
Taxation Benefit	0.05
Net Tangible Assets	2.51
Shares on Issue (m):	14.00
Number of Shareholders:	523

FY'20 Asset Evolution



Indicative Distribution of Investment Assets



	30 Jun '15	30 Jun '16	30 Jun '17	31 Mar '18	31 Dec '17	30 Jun '18	30 Sept '18	30 Dec '18	31 Mar '19	30 Jun '19	30 Sept '19	31 Dec '19
Net Tangible Assets (\$'m)	1.51*	2.20	3.19	3.23	2.99	3.26	2.76	2.03	2.59	2.79	2.77	2.51
NTA per Share (c)	17.0	24.6	26.8	27.1	25.3	24.7	21.1	15.4	18.5	20.0	19.8	17.9
Change in NTA per Share (%)	N/A	11.3	-13.1	7.2	-6.1	-8.8	-15.4	-26.4	20.1	7.8	-0.1	-11.1
S&P / ASX All Ordinaries Accum Index (XAOAI)	47,575	48,530	54,897	57,791	60,007	62,434	63,599	57,887	64,292	69,326	71,282	71,813
S&P / ASX Small Ords Accum Index (XSIOAI)	5,352	6,122	6,552	7,560	7,776	8,140	8,230	7,102	7,997	8,296	8,555	8,620
S&P / ASX Emerging Companies Index (XEC)	1,003	1,277	1,221	1,482	1,522	1,479	1,421	1,181	1,333	1,411	1,593	1,538

* Initial net investment capital available post resurrection of the PDF Corporate Entity

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