

CHESAPEAKE CAPITAL

December Quarter 2020 | Investment Update

About Chesapeake Capital

Chesapeake Capital Limited (“**Chesapeake**” or the “**Company**”) commenced as 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”.
- PDFs cannot invest in businesses whose primary activities are retail operations or property development.

Pivotal to the 2015 recapitalisation the current Board undertook, was the exemption that it secured to make investments of \$500,000 even if they did not represent 10% or more of the “Issued Capital” of the investee company.

Chesapeake was unable to secure an extension to this exemption when it expired in 2020 and this development coupled with Venture Capital AusIndustry’s removal of the ability to make follow-on investments irrespective of the amount, made it increasingly difficult to secure viable investments. In short, the restrictions on qualifying investments have significantly limited the universe of investment opportunities available to Chesapeake, outweighing the income tax benefits available.

To best serve its shareholders, and as foreshadowed in Chesapeake’s Annual Report, Chesapeake relinquished its PDF status as at 23 December 2020. As a consequence, Chesapeake will be subject to normal corporate income tax rates of 26%. And of course, it can now invest irrespective of size or circumstances. The cost base for shareholders of Chesapeake will tax effectively be reset to the “valuation” of its shares at the 23 December 2020. This is now being determined and shareholders will be advised shortly. In the interim we note that the unaudited 31 December 2021 NTA was circa 31.2 cps.

Performance Update

As at 30 September 2020	Dec '20 Quarter	Sep'20 Quarter	Jun'20 Quarter	FY'20
Chesapeake Capital Limited	+25.1%	+30.2%	+54.8%	-5.5%
Small Ordinaries Accumulation Index	+13.8%	+5.4%	+23.9%	-5.6%
All Ordinaries Accumulation Index	+14.4%	+1.3%	+17.8%	-7.2%
Emerging Companies Index	+17.3%	+20.6%	+44.7%	-3.3%
Chesapeake Capital Limited NTA (unaudited)	\$4.38m	\$3.50m	\$2.69m	

Overview

The December quarter recorded another decent gain increasing the NTA to \$4.38m with the Podium Minerals story starting to capture some market interest. We have high conviction around its capacity to create value through building its metal inventory.

As a consequence of the relinquishment of its PDF status opening up more investment opportunities, Chesapeake expects to become more active around some core high conviction investments and to facilitate this has exited some smaller holdings to lift the cash position.

As we put pen to paper the value of Chesapeake’s portfolio is circa \$4.7m with cash approaching \$0.9m = circa 20% of the portfolio value

Key Investments



Specialist in diesel driven pumping and power generation equipment. Rents, services and supplies to tier 1 clients in the Western Australian and Queensland resource sector.



A Western Australian gold explorer drilling at its Lake Roe project which has a 1m oz resource. With a significant drilling program underway this resource is expected to grow creating value for shareholders from what appears to be a discounted position.



Provides waste management services to domestic, industrial and local government clients in Western Australia. It operates through three segments – waste management, operations and maintenance, and landfill. Has work ahead of it.



Exploring for platinum group metals at Parks Reef located in the mid-west region of Western Australia and as articulated in the Overview – enjoying success with further resource upgrades.

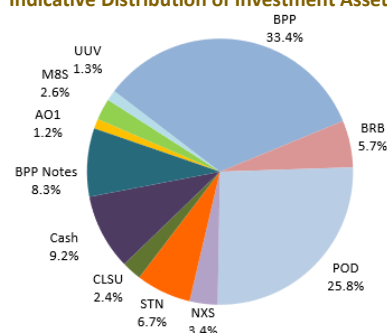
Corporate Snapshot

This snapshot reflects Chesapeake's evolution since inception with the make-up of its asset base as at 31 December 2020 provided below. The unaudited NTA was \$4.38m (31.2¢ per share) with cash of circa \$0.4m.

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 2020	\$'m
1 Jul 20 Opening Net Tangible Assets	2.69
New Capital	0.00
Investment Gains	1.77
Operating Costs	(0.04)
Income Tax	(0.04)
Net Tangible Assets	4.38

Indicative Distribution of Investment Assets



Shares on Issue (m):	14.00
Number of Shareholders:	523

	30 Jun '15	30 Jun '16	30 Jun '17	30 Jun '18	30 Jun '19	31 Dec '19	31 Mar'20	30 Jun'20	30 Sept'20	31 Dec'20
Net Tangible Assets (\$'m)	1.51*	2.20	3.19	3.26	2.79	2.51	1.74	2.69	3.50	4.38
NTA per Share (¢)	17.0	24.6	26.8	24.7	20.0	17.9	12.4	19.2	26.8	31.2
Change in NTA per Share (%)	N/A	11.3	-13.1	-8.8	7.8	-11.1	-30.7	54.8	30.2	25.1
S&P / ASX All Ordinaries Accum Index (XAOAI)	47,575	48,530	54,897	62,434	69,326	71,813	54,634	64,231	65,039	74,424
S&P / ASX Small Ords Accum Index (XSOAI)	5,352	6,122	6,552	8,140	8,296	8,620	6,316	7,826	8,270	9,413
S&P / ASX Emerging Companies Index (XEC)	1,003	1,277	1,221	1,479	1,411	1,538	943	1,365	1,646	1,931

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

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