

About Chesapeake Capital

Chesapeake Capital Limited (“**Chesapeake**” or the “**Company**”) commenced as a Pooled Development Fund (“**PDF**”) investing in a concentrated portfolio of generally listed companies. By 2014 its assets were exhausted with liabilities at hand. It was renamed and recapitalised with a new Board at the end of FY2015, commencing with circa \$1.5m of investable capital. PDF status was relinquished in December 2020.

Performance Update

As At 31 December 2022	Dec '22 Quarter	Sep '22 Quarter	Jun '22 Quarter	Mar '22 Quarter
Chesapeake Capital NTA (unaudited @ cost)	\$2.39m	\$2.45m	\$2.58m	\$2.59m
Chesapeake Capital NTA (unaudited @ market)	\$2.43m	\$2.28m	\$3.49m	\$6.20m
Chesapeake Capital NTA @ market charge (excl. div)	+6.6%	-34.6%	-43.7%	+29.4%
Small Ordinaries Accumulation Index	+7.5%	-0.4%	-20.4%	-4.2%
All Ordinaries Accumulation Index	+8.8%	+0.8%	-12.9%	+1.6%
Emerging Companies Index	+2.3%	+4.1%	-28.2%	-0.1%

Overview

There was little change in absolute terms to what has become a concentrated portfolio of conviction and necessity. Our Podium Minerals Limited (“**POD**”) thesis has been well ventilated in previous Updates and the company’s quarterly update has done nothing to change our view. The relentless selling late last year gave rise to a 12¢ share price at 31 December but with the platinum price looking far more positive it has since traded higher.

Our investment in WA Kaolin Limited (“**WAK**”) closed down at 15¢ per share as the company closed out a capital raising of \$6.7m to support its working capital as it ramps up production to a targeted Stage 1 200,000 tpa and to fund modular increases to capacity to develop Stage 2. A site visit in mid-January witnessed production in process and completion of commissioning opens the prospect of market recognition.

Subsequent to 31 December 2022 Babylon Pump and Power Limited (“**BPP**”) released a positive Quarterly result that resulted in the share price increase from 0.4¢ per share to 0.6¢ per share, and M8 Sustainable Limited (“**M8S**”) received an intention to make a proportional off-market takeover bid at 1.4¢ per share.

The market value at 31 December 2022 was \$2.43m reflecting a modest increase with mark to market NTA 16.0¢ per share. We note that a 1¢ change in POD shares = ~5% of performance.

Corporate Affairs

As articulated previously and volunteered at the AGM, we continue to seek to reduce the administrative costs of maintaining Chesapeake’s relatively large shareholder base with a steady stream of old pre-reconstruction shareholders requesting to sell small shareholdings. The Board of Chesapeake has resolved to undertake a buy back of unmarketable parcels of shares, as well as to undertake a capital raising and associated Board restructure to enable the Company to increase its capital base and investment focus.

These initiatives are explained below.

1. Compulsory Acquisition of Unmarketable Parcels

Pursuant to Clause 11 of the Company’s Constitution, shareholdings that constitute “Unmarketable Parcels” may be compulsorily acquired. Unmarketable Parcels are defined as being of \$500 or less in value.

Chesapeake currently has 452 shareholders. Of these, 399 shareholders hold Unmarketable Parcels, some with a value as low as \$3. These 399 Shareholders comprise only 1.2% of Chesapeake’s issued capital. There is an administrative cost and burden to the Company in servicing these Shareholders and complying with statutory obligations.

The Company is undertaking the procedure set out in Clause 11 of the Constitution. The purchase price will be the Net Tangible Asset (“**NTA**”) value per share at 31 December 2022 of 16.0¢ per share, based on market value.

For Shareholders holding less than a marketable parcel of shares, attached is a separate written communication from the Company setting out your options. Unless Shareholders advise that they wish to retain their shares, thus opting out of the compulsory acquisition process, the Unmarketable Parcels will be compulsorily acquired.

An entity associated with Mr Greg King and Mr Stephen Lauder (two existing shareholders), have agreed to fund this process and acquire the Unmarketable Parcels.

2. Rights Issue

Following step 1 above, Chesapeake intends to undertake a rights issue to raise circa \$0.5 million at 11¢ per share (a 31% discount to the 31 December 2022 NTA). This rights issue will be underwritten by Messrs King and Lauder free from any fee.

3. Board Changes

A condition of Messrs King and Lauder supporting the above initiatives is that they join the Board of Chesapeake and that the total number of directors remains at four. Therefore, Board changes will occur in the near future that will see Messrs Macliver and Romanin retire from the Board.

Messrs King and Lauder are experienced and full-time investors who, through entities they control, operate under an Australian Financial Services Licence.

4. Potential Conversion to a Private Company

If, as a consequence of undertaking the above steps and through additional share sales, Chesapeake emerges with 50 shareholders or less, the intention is to convert from an unlisted public company to a private company. The conversion of the Company from public to private will require Shareholder approval, and a notice of meeting will be sent out to Shareholders in due course, should that eventuate.

The Board of Chesapeake considers that the initiatives described above are in the best interests of the Company.

They will result in:

- a reduction of around 88% in the number of shareholders, representing ~1% of issued capital through the acquisition of Unmarketable Parcels;
- a reduction in administrative costs;
- an increase in investible capital;
- the potential to convert to a private company and further reduce administrative and compliance costs; and
- two full-time experienced investors joining the Board.

An indicative timetable for the process set out by Chesapeake's legal advisers, Clayton Utz, is appended to this Quarterly Report.

Should shareholders have any questions, please email info@chesapeakecapital.com.au.

Corporate Snapshot

As at 30 June 2022 the audited NTA at cost was \$2.58m versus a marked-to-market valuation of \$3.49m. The make-up of Chesapeake's asset base and P&L at 31 December 2022 is provided below, reflecting NTA (calculated as a share trader) of \$2.39m and noting that the marked-to-market unaudited valuation is \$2.43m (16.0¢ per share).

As At 31 December 2022	\$'m	Directors and Related Shareholding		Indicative Distribution of Investment Assets	
1 Jul 2022		Aaron Constantine Group	20.6%		
Opening Net Tangible Assets	2.58	Non Executive Chairman			
Investment Gains (Losses)	(0.09)	James Cullen Group	15.5%		
Operating Costs	(0.15)	Non Executive Director			
Income Tax (Expense) Benefit	0.05	Ian Macliver	5.4%		
Net Tangible Assets at 31 December 2022	2.39	Non Executive Director			
Number of Shares on Issue (m)	15.12	Bernard Romanin	0.5%		
Number of Shareholders	452	Non Executive Director			

	30 Jun 19	30 Jun 20	30 Jun 21	30 Sep 21	31 Dec 21	31 Mar 22	30 Jun 22	30 Sep 22	31 Dec 22
Net Tangible Assets (\$'m) (audited @ cost)	-	-	-	-	2.61	2.59	2.58	2.45	2.39
Net Tangible Assets (\$'m) (unaudited @ market)	2.79	2.69	6.70	5.39	4.76	6.20	3.49	2.28	2.43
Shares on Issue (m)	14.00	14.00	14.00	14.00	14.00	15.12	15.12	15.12	15.12
NTA per Share (¢) (unaudited @ market)	20.0	19.2	47.8	38.5	34.0	43.9	24.7	15.1	16.0
Dividend (¢ per share)	-	-	-	-	-	3.0	-	-	-
Franking (%)	-	-	-	-	-	100.0	-	-	-
S&P/ASX Small Ords Accum Index (XSOAI)	8,296	7,826	10,427	10,785	11,005	10,540	8,391	8,352	8,981
S&P/ASX All Ords Accum Index (XAOAI)	69,326	64,231	83,786	85,502	87,626	89,045	77,551	78,174	85,033
S&P/ASX Emerging Companies Index (XEC)	1,411	1,365	2,144	2,535	2,741	2,733	1,962	2,043	2,091

* Initial net investment capital available post-resurrection and recapitalisation

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Appendix | Chesapeake Indicative Timetable

Event	Date
<p>Divestiture period begins:</p> <ul style="list-style-type: none"> ▪ Notice of Divestiture sent to each Unmarketable Parcel Holder with an attaching Share Election Form. ▪ A Waiting Period of 6 weeks will commence after the notice is sent. During this period shareholders will elect to retain their shares or notify the company that they wish to sell their shares and provide their relevant share certificates. 	10 February 2023
<p>Waiting period expires 5pm EST Friday 24 March 2023:</p> <ul style="list-style-type: none"> ▪ At the expiry of the Waiting Period, shareholders who have not elected to retain their Unmarketable Parcels will have their shares sold. 	Week commencing Monday, 27 March 2023.
<p>Record date</p> <ul style="list-style-type: none"> ▪ Record date for remaining shareholders to participate in the Rights Issue. 	Week commencing Monday, 27 March 2023.
<p>Sale of Unmarketable Parcels:</p> <ul style="list-style-type: none"> ▪ The Company will act as the agent / POA of the selling shareholders for the purposes of any share sale to the purchaser(s). ▪ Funds received by the Company will be to be held on trust for selling shareholders and distributed. 	Week commencing Monday, 27 March 2023.
<p>Sale Proceeds held on trust and distributed:</p> <ul style="list-style-type: none"> ▪ The Company will hold on trust the proceeds of the sale of any Unmarketable Parcels. ▪ For Shareholders who have directed the company to distribute their sale proceeds, the funds will be processed as per their directions, and they will be notified of this. ▪ For Shareholders who did not reply to the Notice of Divestiture, funds will remain held on trust by the Company. The Company will send out a further notice to these (former) shareholders advising them that sale has taken place and the proceeds are being held on trust by the Company, pending their instructions. ▪ Any money not claimed can eventually be provided to ASIC as “unclaimed moneys”. 	Week commencing Monday, 27 March 2023.
<p>Rights Issue Offer Opens:</p> <ul style="list-style-type: none"> ▪ Rights Issue Prospectus released to the Company's remaining shareholders. ▪ A cover letter attached to Prospectus advising remaining shareholders of their options under the Prospectus. 	Friday 31 March 2023
<ul style="list-style-type: none"> ▪ Rights Issue Offer closes (5:00 pm AWST) 	Monday 24 April 2023
<ul style="list-style-type: none"> ▪ Top up Offer opens 	Wednesday 26 April 2023
<ul style="list-style-type: none"> ▪ Top up Offer closes (5:00 pm AWST) 	Tuesday 9 May 2023
<ul style="list-style-type: none"> ▪ Underwriter will take up shares that have not been subscribed for. 	Wednesday 10 May 2023 (+1 Business Day after Offer closes)
<ul style="list-style-type: none"> ▪ Results of Rights Issue announced to all shareholders. 	Thursday, 11 May 2023