

Chesapeake Capital Limited

June Quarter 2017 Investment Update

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. Chesapeake was recapitalised by new management in mid-2015. The PDF structure has attractive tax advantages for shareholders, which can materially enhance an investment strategy concentrated in micro-caps where with good judgement and deal flow returns can be excellent.

| Performance As at 31 December 2016 | Dec'16 Quarter | Mar'17 Quarter | Jun'17 Quarter | FY '17 Unaudited | Since Inception | 2 Year Average |
|---|-------------------|-------------------|-------------------|---------------------|--------------------|-------------------|
| Chesapeake Capital Limited – Investment Capital Available* | 6.1% | 19.6% | -13.1% | 9.2% | 51.2% | 25.6% |
| Small Ordinaries Accumulation Index | -2.4% | 1.5% | -0.3% | 7.0% | 22.4% | 11.2% |
| All Ordinaries Accumulation Index | 4.4% | 4.5% | -1.5% | 13.1% | 15.4% | 7.7% |

* Initial investment capital available from late June 2015 was \$1.51m so returns have been calculated from that reference point.

Chesapeake gave up two thirds of the March Quarter’s excellent returns in the June Quarter as liquidity evaporated from many small companies in late June, exaggerating share price movements, which tended to be down. Despite the late June decline the 2017 Financial Year unaudited weighted average return of 9.2% was slightly ahead of benchmark. Pleasingly the portfolio has bounced back subsequent to 30 June.

The unaudited Net Profit After Tax was \$0.24m with Net Tangible Assets as at 30 June 2017 of \$3.19m equating to 26.7¢ per share. The Board is both pleased with the performance and the functional utility that has been created around Chesapeake’s unique PDF status. The payment of income tax at the PDF rate of 15% during FY’18 will afford Chesapeake the opportunity to consider the possibility of fully franked dividends. We are mindful of the value of the franking credits in the hands of shareholders and will communicate appropriately in due course.

New Investment



www.musgraveminerals.com.au

Musgrave Minerals Limited (ASX code: MGV) Musgrave is a gold and base metal exploration and development company with three projects located in Australia. Musgrave recently announced reported an upgraded Mineral Resource (JORC 2012) for its Break of Day/Lena deposits which form part of the Cue Gold Project. With numerous gold plants in close proximity to the Cue Project there is the potential for the rapid development into gold production.

Existing Investments



www.axsesstoday.com.au

Axsesstoday Limited (ASX code: AXL) Axsesstoday is a rapidly growing specialist provider of equipment finance for small to medium sized enterprises (“SME’s”). Established 5 years ago the Company is profitable and is growing nationally based on highly effective product, technology and marketing innovations. The company announced FY’17 NPAT would be around \$3.6m, guided FY’18 NPAT of circa \$6m and planned a final dividend of 2.2¢ per share fully franked. Analyst price target of \$2.24 suggests a positive outlook.



www.assetowl.com

AssetOwl Limited (ASX code: AO1) AssetOwl is an innovative information technology and software development company which has developed an enterprise software Management Platform initially applicable to retailers with a growing number of applications to other industries such as property management. The Management Platform is a powerful tool designed specifically for retailers to visualise, question, analyse and interpret data within the four walls of each property and collectively across all properties within a network. Post 30 June AssetOwl announced an excellent first product sale to 7Eleven and is growing its client pipeline.



www.droneshield.com

DroneShield Limited (ASX code: DRO) DroneShield brings together world class expertise in engineering physics, defence, intelligence and aerospace to design, manufacture and sell drone detection systems that use highly specialised and cost-effective technology to achieve levels of detection that are not possible with other methods or at a comparable cost. Much of Chesapeake’s leverage to DroneShield’s sales prospects are now held through options.



IM Medical Limited (ASX code: IMI to be renamed Babylon Pump and Power Limited) IM Medical proposes to acquire newly established Babylon, which is executing a specialist pump and power development strategy. This is an excellent team, well known to and highly regarded by Chesapeake Directors. It is our intention to invest in the next investment round, which would result in an ASX listing.



GRD-Franmarine Holdings Limited (unlisted) is a Western Australian based public unlisted company which owns all licenses and patents associated with a revolutionary new fully enclosed capture and containment hull cleaning technology called the "Envirocart". The Envirocart is the only in-water hull cleaning technology on the global market that is capable of meeting the current water discharge quality guidelines and the new Australian Department of Agriculture, Fisheries and Forestry ("DAFF") In-water Hull Cleaning guidelines.



Mareterram Limited (ASX code: MTM) operates in the agribusiness sector through two business divisions. The business divisions are Commercial Fishing Division and Food Service Division is an importing and trading business which buys product from overseas producers and local manufacturers and sells to customers who are wholesalers, distributors, retailers or end-users in the food service channel. The Food Services Division offers a range of imported seafood products including prawns, fish fillets, lobsters, scallops and a range of value added seafood products.



Uscom Limited (ASX code: UCM) is a medical device company providing premium, non-invasive technologies to clinicians with proprietary high-quality cardiac, blood pressure and pulmonary monitoring devices targeting global markets. Uscom has been delivering positive developments with increasing international sales. The company has been releasing good news as it makes progress on executing its business plan.

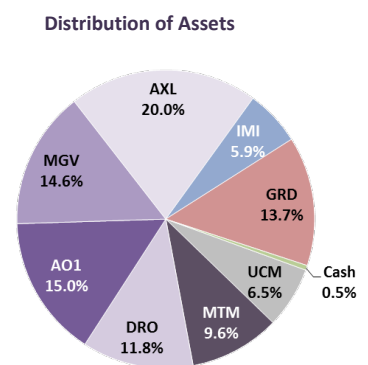
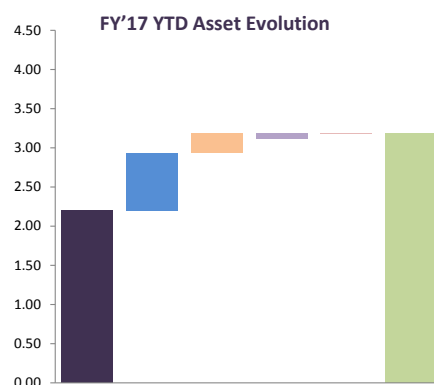
Corporate Snapshot

This snapshot reflects Chesapeake's evolution since 1 July 2016 and the make-up of its asset base as at 30 June 2017. The unaudited NTA was \$3.19m (26.7¢ per share) with cash of circa \$0.1m. Using subscribed capital ie 25.0¢ per share as the starting point, performance fees in accordance with disclosures might begin to accrue.

| Directors | Role |
|-------------------|------------------------|
| James Cullen | Executive Chairman |
| Aaron Constantine | Non Executive Director |
| Ian MacIver | Non Executive Director |
| Bernard Romanin | Non Executive Director |

| As At 30 June 2017 | \$'m |
|-----------------------------|-------------|
| 1 Jul 16 Opening Net Assets | 2.20 |
| New Capital | 0.74 |
| Investment Gains | 0.36 |
| Operating Costs | -0.07 |
| Provision for Taxation YTD | -0.04 |
| Net Tangible Assets | 3.19 |

Shares on Issue: 11.92m
 June 2018 Options ex @ 25¢ on Issue: 9.52m
 Number of Shareholders: 519



| | 30 Jun '15 | 30 Sept '15 | 31 Dec '15 | 31 Mar '16 | 30 Jun '16 | 30 Sept '16 | 31 Dec '16 | 31 Mar '17 | 30 Jun '17 |
|---|------------|-------------|------------|------------|------------|-------------|------------|------------|------------|
| Net Tangible Assets (\$'m) | 1.51* | 1.55 | 1.78 | 1.97 | 2.20 | 2.16 | 3.06** | 3.66 | 3.19 |
| NTA per Share (¢) | 17.0 | 17.4 | 18.1 | 22.1 | 24.6 | 24.2 | 25.7 | 30.7 | 26.8 |
| Change in NTA per Share (%) | N/A | 2.3 | 4.0 | 22.1 | 11.3 | -1.6 | 6.1 | 19.6 | -13.1 |
| S&P/ASX Small Ords Accumulation Index | 5,352 | 5,143 | 5,725 | 5,784 | 6,122 | 6,642 | 6,479 | 6,574 | 6,552 |
| S&P/ASX All Ordinaries Accumulation Index | 47,575 | 44,820 | 47,788 | 46,664 | 48,530 | 51,100 | 53,353 | 55,757 | 54,897 |

* Initial investment capital available ** Includes \$0.75m of new capital in late December 2016

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