

# CHESAPEAKE CAPITAL

## September Quarter 2021 | Investment Update

### 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 through the provision of new equity capital under the PDF framework. It was renamed and recapitalised with a new Board at the end of FY2015 commencing with circa \$1.5m of investable capital. Chesapeake relinquished its PDF status as of 23 December 2020. As a consequence, Chesapeake is now subject to normal corporate income tax rates of 25%. The tax-free cost base for existing Shareholders on 23 December 2020 is 31.9¢ per share.

### Performance Update

As at 30 September 2020	Sep '21 Quarter	Jun '21 Quarter	Mar '21 Quarter	Dec '20 Quarter	Sep'20 Quarter
Chesapeake Capital Limited	-19.4%	+49.8%	+2.1%	+25.1%	+30.2%
Small Ordinaries Accumulation Index	+3.4%	+8.5%	+2.1%	+13.8%	+5.4%
All Ordinaries Accumulation Index	+2.0%	+8.7%	+3.6%	+14.4%	+1.3%
Emerging Companies Index	+18.2%	+8.2%	+2.7%	+17.3%	+20.6%
Chesapeake Capital Limited NTA (unaudited)	\$5.39m	\$7.27m	\$4.45m	\$4.38m	\$3.50m

### Overview

Sitting tight and letting the good efforts of Podium Minerals Limited (“**POD**”) play out across the September Quarter did not prove to be as effective as it was last quarter. In fact, we went backwards as a combination of drilling, lab results, resource calculation delays – which are symptomatic of the Western Australian resources sector at this time – and a sharp fall in platinum/palladium/rhodium prices in September robbed Podium of market momentum. Prices bounced back in October, but the momentum has stalled. The company continues to make excellent progress with a late September resource upgrade of 57% to 2.2m oz’s of 3E PGM’s and a 47% increase in copper to 79,000 tonnes. The appointment of a very well credentialed CEO, and a \$6.5m capital raising taking cash and receivables to circa \$10m+ have positioned the company to move forward. And at long last a drill rig is on site!

Our investment thesis has not changed and drilling, results, and resource upgrades, in what is a game of “battle ship”, because Podium is drilling a reef that dips from the surface, are the key drivers. Building the resource and understanding to what depth mining can profitably take place can only become known with drilling, where a S18 clearance on the undrilled section in the middle of the reef, colloquially coined the “Johnnie Cash Pit”, would enable drilling which could potentially reveal the high grade starter pit. This area has not been drilled sufficiently to reveal its potential. The task for management is to regain momentum, drill continuously, add ozs and tonnes and consistently articulate the story to a wider constituency.

Momentum is what our investment in Breaker Resources NL (“**BRB**”) is finally enjoying as a result of more drill results, and the appointment of a highly regarded Chairman who resonates with the market.

So, after 3 out of 4 strong quarters of performance over FY’21 we fell into a bit of a hole in the September quarter with a fall in NTA of -19.4% whilst benchmark indexes moved ahead. NTA stands at 38.5¢ per share.

During the quarter we added to the M8 Sustainable Limited (“**M8S**”) shareholding in a capital raising that is expected to see the company through to the completion of its landfill asset and Gingin (Western Australia), in early 2022. A successful commissioning of this asset could have a profound impact on the intrinsic value of the shares, which at current prices are trading at circa 25% of the independent value articulated in the June Investor Presentation.

Our WA Kaolin investment marches towards completion and production largely on time, and largely on budget. At some stage the market will cotton on to what we anticipate can become a terrific low risk cash generator.

We do have a large investment in Babylon Pump and Power (“**BPP**”). BPP has had a tough year, but we are hopeful that its fortunes are being restored with a pick-up in revenues and the building of the team. The recent quarterly result revealed record revenue of \$7.3m, growing cashflow and a new director appointment.

Having changed accountants, Chesapeake’s full year result for 2021 will be out shortly.

Chesapeake has a balance of franking credits (circa \$152k) and is minded to distribute these to shareholders. This might involve the declaration of a dividend of circa \$434k as cash reserves increase where a Dividend Reinvestment Plan would be introduced on a conventional basis supported by the Directors’ shareholders to at least 35%.

## Key Investments



## Corporate Snapshot

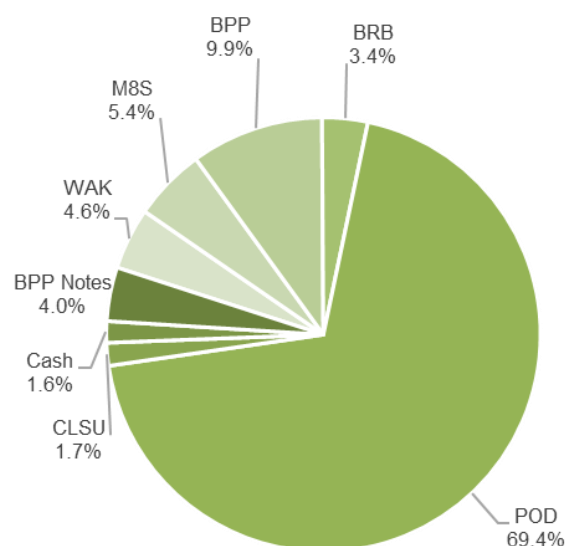
The bottom table presents Chesapeake's evolution since inception. The make-up of its asset base and P&L at 30 September 2021 is provided below, reflecting unaudited NTA of \$5.39m (38.5¢ per share),

As At 30 September 2021	\$'m
1 Jul 2021 Opening Net Tangible Assets	6.70
New Capital	0.00
Investment Gains (Losses)	-2.14
Operating Costs	-0.1
Income Tax (Expense) Benefit	0.93
Net Tangible Assets	5.39

Shares on Issue (m):	14.00
Number of Shareholders:	467

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

### Indicative Distribution of Investment Assets



	30 Jun	30 Jun	30 Jun	30 Jun	30 Jun	30 Jun	30 Sep	31 Dec	31 Mar	30 Jun	30 Sep
	2015	2016	2017	2018	2019	2020	2020	2020	2021	2021	2021
Net Tangible Assets (\$'m)	1.51*	2.20	3.19	3.26	2.79	2.69	3.50	4.38	4.45	6.70	5.39
Shares on Issue (m)	8.72	8.92	11.92	13.11	14.0	14.0	14.0	14.0	14.0	14.0	14.0
NTA per Share (¢)	17.0	24.6	26.8	24.7	20.0	19.2	26.8	31.2	31.9	47.8	38.5
Change in NTA per Share (%) from PCP	N/A	+ 44.7	+ 8.9	- 8.8	- 19.0	- 4.00	+ 30.2	+ 25.1	+ 2.1	+ 49.8	-19.4
S&P/ASX All Ords Accum Index (XAOAI)	47,575	48,530	54,897	62,434	69,326	64,231	65,039	74,424	77,109	83,786	85,502
S&P/ASX Small Ords Accum Index (XSOAI)	5,352	6,122	6,552	8,140	8,296	7,826	8,270	9,413	9,610	10,427	10,785
S&P/ASX Emerging Companies Index (XEC)	1,003	1,277	1,221	1,479	1,411	1,365	1,646	1,931	1,982	2,144	2,535

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

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