Contango MicroCap Limited

2014
2013
2012
2011
2010
2009
2008
2007
2006
2005
2004

Annual Report 30 JUNE 2014

10 YEARS GROWING STRONG

Contango MicroCap Limited

Contango MicroCap Limited ABN 47 107 617 381

$32.5m

Operating Profit compared to -$12.6m in FY13

30.6%

Investment portfolio return in FY14

8.6cps

Dividend attributed to FY14

10.3%

Increase in dividends attributed to FY14 from FY13

16.9%pa

Investment portfolio performance since 2004

13.0%

Total return to shareholders in FY14

$175m

Value of investments up from $136m in FY13

4,918

CTN shareholders up 11.4% in FY14

100%

Ownership of CAML 49.99% in FY13

9.4%

Total return to shareholders in September 2014 quarter

Chairman's Commentary

Welcome to Contango MicroCap Limited

FY14 was another strong year for Contango MicroCap Limited (CTN). In the year that we are celebrating CTN's 10th birthday it provided shareholders with an after tax profit of $32.5m – the 3rd highest since listing.

This year has again shown the importance of Contango's asset allocation as well as its research and stock selection capabilities. During the year the All Ordinaries accumulation index rose by 17.6% while CTN's underlying portfolio rose by 30.6%.

Since inception in 2004 the investment portfolio has returned 17% pa compared to the All Ordinaries Accumulation Index return of 9% pa.

The Company has achieved the key goals outlined in the original prospectus that was given to investors.

CTN's carefully structured and professionally managed exposure to microcap securities has achieved a higher return than all major ASX equity indices and successfully navigated through the worst investment conditions since the great depression.

In the Company's early years the focus on China growth delivered strong returns. During the GFC the Company's defensive state – where it held up to 43% in cash - significantly ameliorated losses. CTN timed well its rapid re-entry to the market in early 2009 and then carefully navigated the balance between resources and industrials from 2011. Through these periods shareholders have benefited from a team of expert economists, analysts and portfolio managers who are committed to providing shareholders with market leading returns.

Shareholders in CTN should recognise the valuable impact that investing in microcap companies provides to the Australian economy. The higher employment ratios, the job opportunities, new and improved products and processes benefit Australia in many additional ways. CTN invests in IPOs and placements which have kick-started many of these companies. This would not have been possible without the capital that is provided by our shareholders.

During the year, CTN gained full ownership of the investment manager Contango Asset Management Limited (CAML). The key reasons for this were to lock in a market leading investment team, and to more closely align them to CTN's growth aspirations. The internalisation of the manager is generally considered good practice by the market and has had beneficial impacts on the valuation of the Company.

Operating Performance

$32.5m PROFIT AFTER TAX

The Company generated an operating profit after tax for the year to 30 June 2014 of $32.5 million (FY13: -$12.6m).

During FY14, Contango Asset Management Limited (CAML) - the portfolio manager of CTN - generated strong portfolio performance through careful stock selection and sector allocation decisions. In this period the underlying investment portfolio generated a gross return of 30.6%.

Gains on investments contributed $41.4m (FY13: -$11.8m) to this result while dividend and interest income provided $7.0m (FY13: $4.8m).

At 30 June 2014, the value of investments held by CTN was $175.7m. This was an increase on the corresponding value at 30 June 2013 of $136.4m. In addition the Company carried no debt.

CTN is a well capitalised company with a strong balance sheet that is well positioned to participate in the growth of the microcap sector.

The long term portfolio outperformance of the investment manager demonstrates their skill and experience to manage an Australian microcap portfolio.

DIVIDENDS PAID DURING PERIOD AND DIVIDEND POLICY

During FY14 the Company paid dividends amounting to 8.0 cps, representing $12.3m being paid to shareholders.

September 2013	**4.0 cents per share**
March 2014	**4.0 cents per share**
TOTAL	**8.0 cents per share**

Since declaring its first dividend in December 2004, including the 4.6 cps dividend declared on 18 August and paid on 30 September 2014, CTN has paid a total of 79.6 cps in dividends to shareholders, amounting to a total payout of over $89.6m. The Company's dividend policy, to pay a minimum of 6% pa of the 1 July Net Tangible Asset (NTA) value per share each year, will continue.

MARKET AND INVESTMENT PORTFOLIO OUTLOOK

The investment manager maintains a positive outlook for the microcap sector through FY15.

Yours sincerely

Mark Kerr

Mark Kerr
Chairman, Contango MicroCap Limited

Managing Director's Comments

After ten years as an externally managed fund CTN enters the next decade as an internally managed company continuing the Company's initial "raison d'etre" of providing a practical and structurally sound method to access the microcap sector.

CAML's microcap portfolio management via the asset allocation and in-depth stock research undertaken by our investment team has led to market leading portfolio returns for shareholders.

The sound structure of a Listed Investment Company (LIC) – known overseas as "closed-ended" funds – offered support through the GFC by protecting the Company from the inherent risks of investing in the sometimes "illiquid" asset class of microcap securities.

CTN continues to retain a performance benchmark of the ASX All Ordinaries Index despite its investment universe being significantly different. We believe that investors want to be financially rewarded with higher returns for taking the additional risks associated with higher growth microcap companies. This implies that we consistently review the level of valuation of our investments and the state of the economy so as to implement a higher defensive stance when necessary.

As we predicted, the market's acceptance of LICs has accelerated since the introduction of the Future of Financial Advice (FOFA) reforms. This has allowed the valuation of LICs to be more reflective of their underlying assets and also the embedded comfort factors of transparency and control.

At Contango we remain committed to further expanding our investment expertise within the LIC space.

We recognise that income yielding Australian equities have strong demand, as does investing overseas for the geographic, industry and currency diversification that it provides.

CAML has proven its skill and expertise in managing investment funds that invest in Australia as well as overseas.

The move to an internally managed structure places CTN in the same space as the traditional leaders of the LIC industry such as Argo and AFIC.

The slight difference in our model is that CAML is considered an industry leader in investing in equities and accordingly has external clients in microcap, small company and Australian equity leaders' mandates. Those clients are leading institutional and industry superannuation funds. While potentially very profitable the winning of new business requires a higher content marketing effort than that needed by a traditional LIC.

CAML is a profitable manager with strong business prospects in the LIC space and with its traditional client base. Internalised ownership means that CTN is less likely than externally managed LICs to issue new capital, being driven by desire to increase funds under management with the attendant fee revenue.

Another significant benefit going forward for CTN is that performance fees will no longer be paid to an external fund manager.

During the year CTN also acquired Bellwether Partners Limited, an institutional Australian equities funds management company. The back-office and investment decision making synergies obtained have benefitted all parties.

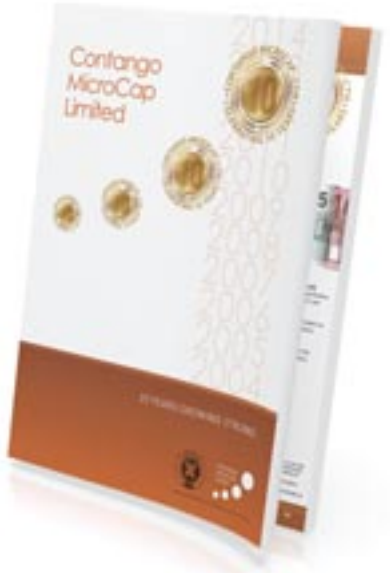
Contango Asset Management Limited's key growth prospects over the coming year are:

- Launching its low volatility equity income fund as an LIC
- This same capability being marketed to institutional clients who are looking to allocate to low volatility equities for their pension phase assets
- Providing micro and small cap capability to institutional investors seeking the high alpha available from the sector
- Investigating ways to launch our Global Value Fund in an LIC format

In recognition of the 10 year anniversary and tremendous growth in shareholders, CTN produced a brochure featuring information about the Company and those managing the investment portfolio. The full brochure has been sent out with the notice of meeting and is available on the Company web site, with selected extracts presented within the following pages.

David Stevens

David Stevens
Managing Director



Corporate Highlights

SHARE PRICE AND PORTFOLIO PERFORMANCE

In FY14 the Company delivered a share price total return to shareholders of 13.0%.

Over the last 5 financial years the CTN share price has delivered total returns to shareholders as follows:

Since inception in 2004 CTN has generated strong performance for shareholders

% RETURN	CTN Investment Portfolio	CTN Total Shareholder Return	S&P / ASX Small Ords Accum	S&P / ASX Emerging Companies Accum
1 Year	30.6%	13.0%	13.1%	14.6%
2 years pa	11.0%	10.1%	3.5%	-10.4%
3 years pa	2.6%	3.0%	-2.9%	-12.7%
4 years pa	10.3%	17.6%	1.6%	-3.3%
5 years pa	12.8%	12.3%	3.4%	0.3%

As at 30.06.14. Total Shareholder Return includes impact of Dividends paid. Past performance is no guarantee of future returns

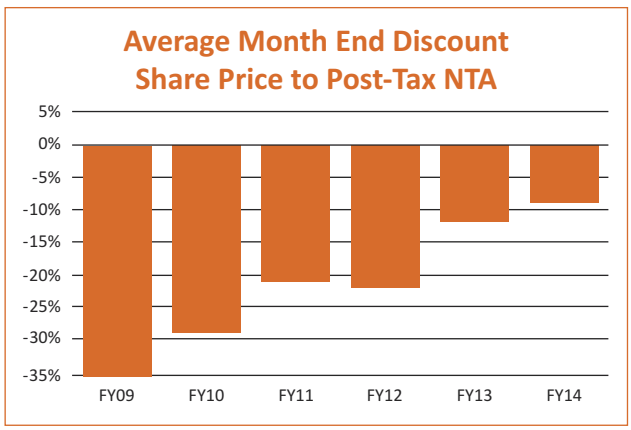
The long term performance of the CTN investment portfolio is 16.7% pa since inception in March 2004 to the end of September 2014. This ranks CTN's investment portfolio performance amongst the best performing Australian Shares portfolios over the corresponding time period.

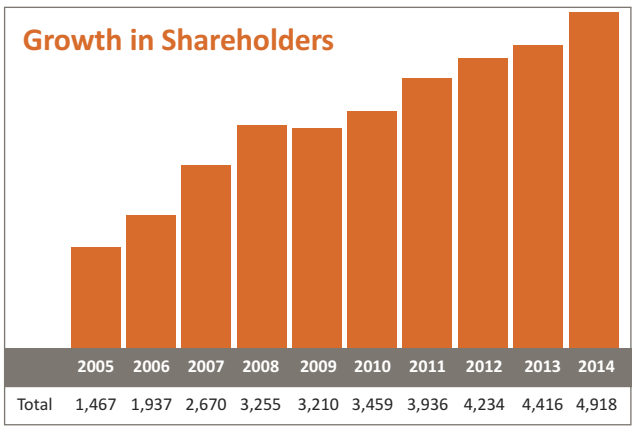
Continuation of market outperformance in September 2014 Quarter:

- The CTN investment portfolio has outperformed the ASX All Ordinaries Accumulation Index by 2.7%
- The NTA return (when the 4.6cps dividend is accounted for) has outperformed the ASX All Ordinaries Accumulation Index by 1.6%
- The Company share price has risen from $1.025 to $1.075 and a dividend 4.6cps was paid on 30 September 2014

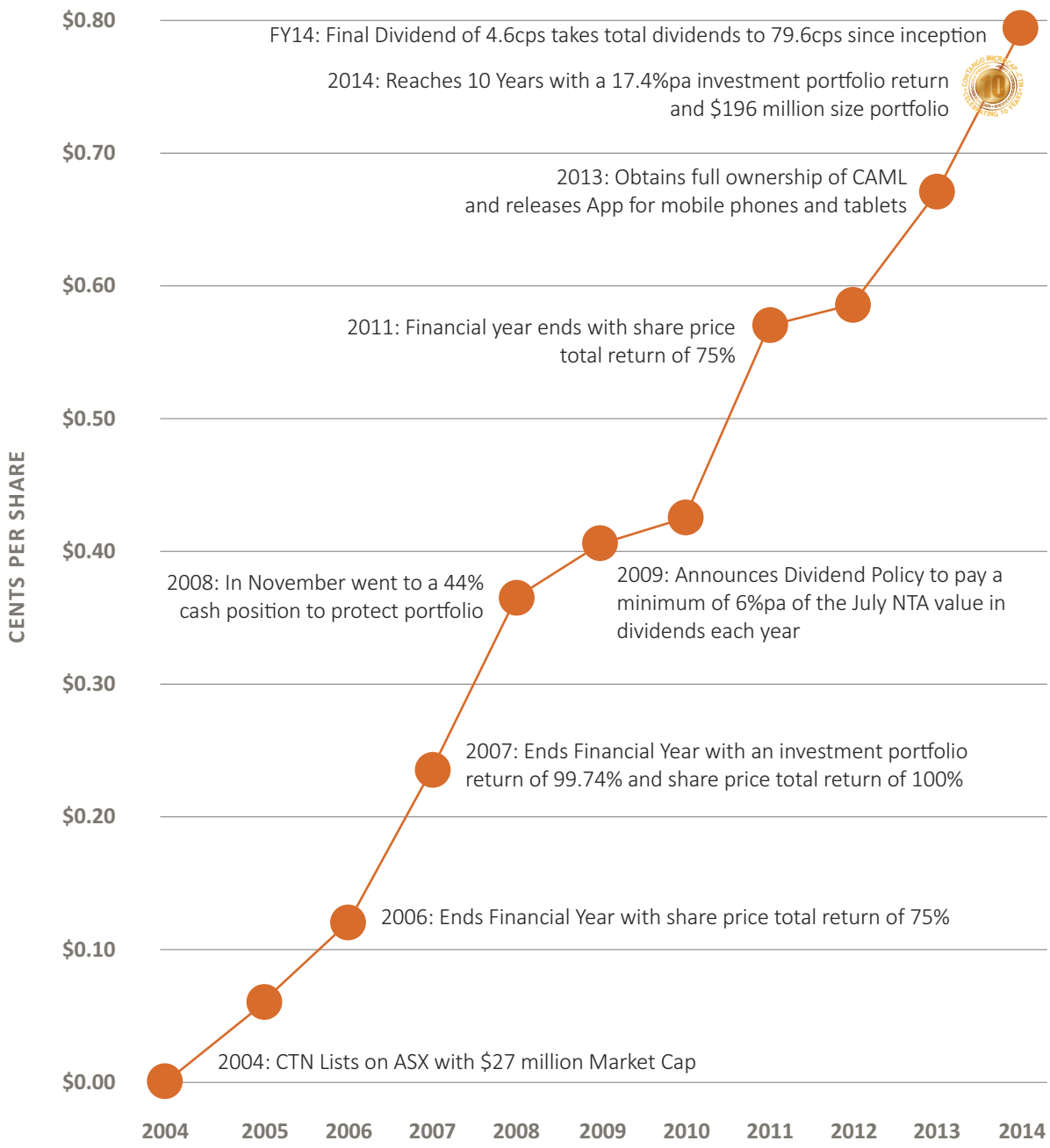
DESIRABILITY OF CTN SHARES CONTINUES

In addition to the significant growth in the number of CTN shareholders, the discount on share price has continued its trend towards parity with its NTA value.





CUMULATIVE DIVIDEND PAID
by Financial Year



Performance is before expenses and fees.

ABOUT CTN
Contango MicroCap Limited

CTN is a Listed Investment Company (LIC) which seeks to outperform the S&P/ASX All Ordinaries Accumulation Index and provide regular, franked dividends to its shareholders.

CTN has a dividend policy to pay a minimum of 6%pa to shareholders via 2 semi-annual dividends.

INVESTMENTS HELD: CTN holds a diversified portfolio of 60-90 companies listed on the ASX with a market capitalisation generally between $10m & $350m at time of acquisition. There are over 900 companies in this investable universe with a total market capitalisation exceeding $70 billion.

INVESTMENT STYLE: CTN is 'Style Neutral' – the portfolio is managed on the basis of sensitivity to economic and market factors as well as stock specific considerations. At some stages of the cycle there is a Growth bias while in periods of economic weakness the portfolio typically has a bias to Value/Defensive stocks.

THE FIRST 10 YEARS	% pa
CTN Investment Portfolio	17.4%
ASX Emerging Co's Accum Index	3.0%
ASX Small Ords Accum Index	4.9%
ASX All Ordinaries Accum Index	9.2%

** Before impact of expenses and fees.*

"In achieving our objective to grow wealth for shareholders and provide them with reliable income streams from their investment, it has been a pleasure to play an instrumental role in providing essential capital to Australian microcap companies – who have significantly contributed to the lives of so many Australians.

While microcap companies do not receive the media attention of their large cap counterparts, their role in generating wealth for investors, employment for Australians and valuable services, new technologies and innovation needs to be recognised."

PORTFOLIO MANAGER's Commentary

Bill Laister has been managing the CTN investment portfolio since 2010.

Can you tell us about microcap investing?
Microcaps can be some of the fastest growing companies on the ASX.

As well as offering world class products, services and technologies, Australian microcap companies are managed by some incredibly talented people.

We always like to meet with new companies and hear what they have to offer. I have been doing this for over 20 years and I am always surprised, and often excited by some of the stories I hear.

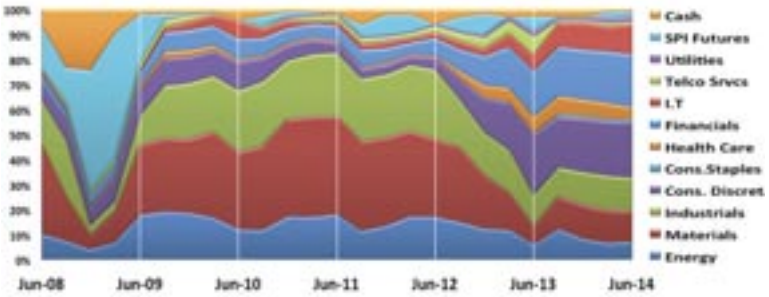
What kind of companies do you like to invest in?
We look to invest in quality companies with a proven track record that are growing their earnings and looking to expand. Particularly those with potential to move from microcap to small cap to large cap.

What kind of companies do you look to avoid?
It is hard to take a meaningful position in companies less than $10m market cap, or with little trading volume. Aside from that, we avoid biotech or early stage companies, mining companies at exploration stage, pseudo-private equity and companies with no definable earnings.

What are some of the larger stocks you hold in your portfolio?
Microcap investing is very fluid and can move quickly. In mid 2014 some of the larger positions included Slater and Gordon, G8 Education and Mayne Pharma Group. We bought these early believing they were good companies with considerable upside.

How has your portfolio evolved over the years?
The sector allocation of the portfolio has changed quite considerably. Contango is a top-down and bottom-up manager. Top-down themes are increasingly important because global investment currents tend to have a considerable impact on Australian microcaps.

Sector Allocation last 6 Years

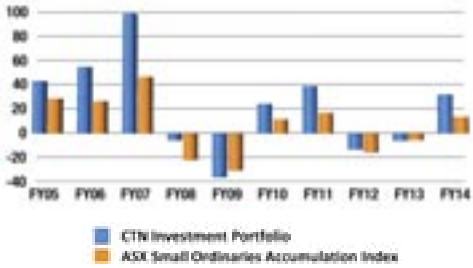


If we look at the portfolio just before the GFC we went to a sizeable cash position, reinvesting back into the market once things settled down.

From 2008-2012 around 65% of the portfolio was invested in mining and resource type stocks. As a manager we made the decision in early 2012 to rotate away from these sectors in favour of industrials, consumer discretionary, healthcare and financials, which served us well.

How has your portfolio performed?
The CTN investment portfolio generated a return of 17.4%pa in its first 10 years.

Performance of investment portfolio



** Before impact of expenses and fees.*

USING MICROCAPS in your investment portfolio

Why invest in microcaps?

In mid 2014, the Commonwealth Bank alone was worth more than every ASX stock outside of the ASX200 combined. The 13 largest ASX listed companies were worth over 50% of the total market cap of the ASX. This extreme concentration leads many investors to miss those small and microcap opportunities waiting to be found.

Investing in microcap stocks brings many advantages

Diversification

- From approximatly 1900 listed companies most investment funds only invest "as deep" as ASX300
- Many hold the same 40-50 ASX100 stocks
- An allocation to microcaps can reduce the "BlueChip" risk factor of being overexposed to the top 100 stocks

Opportunity

- Microcaps can be the fastest growing companies on the sharemarket
- There is very little research undertaken on microcap companies
- Those specialising in microcaps can find growing companies to invest in

Performance

- Microcap companies offer some of the best opportunities for investors
- Increases in revenue can result in a great impact on profit

Who should invest in microcaps?

Anyone who invests in the sharemarket and has an investment horizon beyond 5 years could be suitable for an allocation to microcaps in their portfolio. Naturally each person should consult financial advice to ascertain their specific investment needs before making any investment decision.

How much should I invest in microcaps?

If microcaps were determined to be a suitable asset class to invest in, 5-15% of one's total shares allocation could be considered reasonable. Some investors may be surprised to discover they have that much invested in one or two large cap stocks alone. Please consult a licensed advisor prior to making any investment decision.

What risks are there investing in microcap stocks?

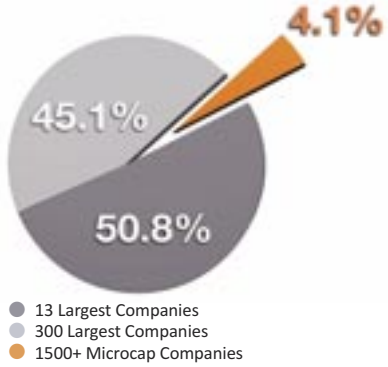
Investing in the share market carries many risks and microcap companies can be the most volatile investments on the ASX, where events such as an unexpected fall in revenue can have a significant impact on the value of the company.

How can I invest in microcaps?

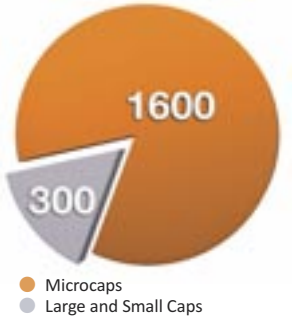
- Buy individual shares on the ASX directly and manage the portfolio yourself
- Use an investment manager to build and operate a portfolio for you, such as Contango MicroCap Limited
- A mixture of both

Note: This page is not a recommendation to invest in microcap stocks or CTN. Microcap stocks or CTN may not be suitable for your investment needs. You should consult a licensed advisor prior to making any investment decision.

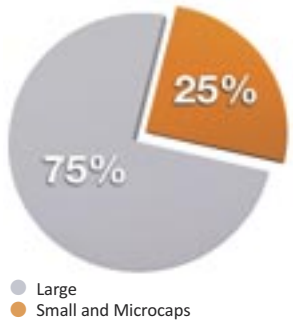
The ASX by Market Capitalisation



The ASX by Opportunity



Potential Sector allocation within a Share Portfolio



ABOUT CAML
Contango Asset Management Limited

Contango Asset Management Limited (CAML) is an Australian fund manager. It was incorporated in December 1998 by a small group of Melbourne based investment professionals and has grown to 17 staff and investment personnel. The group specialises in the management of equities portfolios for institutional clients and sophisticated investors. CAML is wholly owned by CTN.

CAML offers various investment products including funds specialising in:

- Core Australian Equities
- Small Cap Australian Equities
- Microcap Australian Equities
- Income Focused Equities
- Global Equities Fund

The products are available through unit trusts or as discrete mandates.

CAML will also tailor investment mandates to meet the specific investment objectives of clients.

The long-term performance of its funds demonstrate the skill and experience of the investment team.

FUND PERFORMANCE	3 Years % pa	5 Years % pa	7 Years % pa	10 Years % pa	Inception % pa	Inception Date
Contango Australian Equity Fund	10.6%	11.3%	2.3%	10.1%	9.4%	08/04/1999
ASX 300 Accumulation Index	*10.0%*	*11.0%*	*2.1%*	*8.9%*	*8.1%*	
Contango Small Caps Fund	3.2%	10.6%	-0.6%	–	9.5%	28/02/2005
ASX Small Ordinaries Index	*-2.9%*	*3.4%*	*-5.5%*	*–*	*2.3%*	
Contango MicroCap Ltd (CTN)	2.6%	12.8%	1.3%	16.7%	16.9%	25/03/2004
S&P / ASX Emerging Co's Index	*-12.7%*	*0.3%*	*-7.4%*	*3.2%*	*2.5%*	
Contango Income Generator Fund	19.0%	17.3%	0.2%	–	7.9%	31/10/2004
ASX 300 Industrial Index	*9.9%*	*11.0%*	*2.1%*	*–*	*8.4%*	
Contango Global Value Fund	24.3%	24.6%	–	–	13.5%	31/12/2007
MSCI ex Aust unhedged	*16.8%*	*11.5%*	*–*	*–*	*2.6%*	

** As at 30.06.2014. Data is before impact of expenses and fees.*

INVESTOR RELATIONS
keeping shareholders informed

CTN produces articles and papers relevant to microcaps and LICs which are regularly published in industry magazines and websites. Where possible, these are loaded onto the CTN website and made available for shareholders.

News as it happens
CTN wants to keep you up-to-date with information you need as a shareholder or interested party. So we have developed a dedicated iPhone, iPad and Android App for phones and tablets that you can download for free.

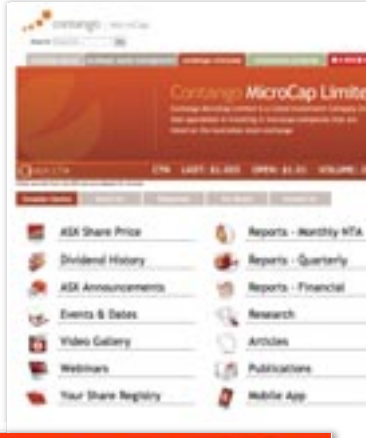
It uses push technology to notify you the moment an announcement, report or news item has been added to the CTN web site. You can quickly check updated share prices, market charts, news and research.

Our Investor Centre App is now available to download for free from iTunes or the Google Play store.

Engaging the Investment Community
CTN has a commitment to increase the company's visibility and profile. CTN continues to make public presentations about the Company and microcap investing, as well as provide articles and materials on microcaps in the media.

Transparency in the Company and regular information about the investment portfolio is a priority of the CTN Board.

For information on CTN activities, including having CTN present to your investor group or conference, please visit the Events page on the CTN website www.contango.com.au



InvestorDaily
STOXX+® MINIMUM VARIANCE INDICES
Interview with Portfolio Manager
Microcaps: a recognised asset class
MicroCaps
ASX
Investor Update
Money Management
OpinionIndustry
Matching up the returns in LICs
Contango MicroCap Limited
Annual Report 30 JUNE 2013

Contango MicroCap Limited and Controlled Entities

ABN 47 107 617 381

Financial Report

for the Year ended 30 June 2014

Contango MicroCap Limited

FY14

Contents

Directors' Report	2-6
Remuneration Report	7-14
Auditor's Independence Declaration	15
ASX Corporate Governance Statement	16-24
Financial Report for the year ended 30 June 2014	
Consolidated Statement of Comprehensive Income	25
Consolidated Statement of Financial Position	26
Consolidated Statement of Changes in Equity	27
Consolidated Statement of Cash Flows	28
Notes to the Financial Statements	29-49
Directors' Declaration	50
Independent Auditor's Report	51-52
Company Particulars	53
Additional Information for Listed Companies	54-55

Directors' Report

The directors present their report together with the financial report of the Company consisting of Contango MicroCap Limited and the entity it controlled, for the financial year ended 30 June 2014 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors

The names of directors in office during the year are:

Mark G Kerr	appointed 7 December 2009
Ian N Ferres	appointed 7 December 2009
David I Stevens	appointed 14 January 2004
Glenn Fowles	appointed 14 January 2004

Principal activities

The principal activities of the Company during the financial year were investing in microcap companies listed on the Australian Securities Exchange (ASX) and, since the acquisition of Contango Group Pty Ltd and Bellwether Partners Limited in late 2013, provision of funds management services to external clients.

Results

The consolidated profit after income tax attributable to the members of Contango MicroCap Limited was $32,530,489 (2013: Loss of $12,580,434). Basic earnings per share amounted to 21.0 cents per share for the year (2013: -8.5 cents).

Review of operations

MicroCap Investment Portfolio

The current period profit is primarily attributed to a rise in the value of the Company's investment portfolio. The period has seen the Company's investment portfolio perform better than the broader Australian share market which the Company operates within.

During the year the parent company's share price has risen from $0.98 to $1.025 – after adjusting for 8 cents per share of dividends paid this amounts to total return of 12.8%. By comparison, the ASX Small Ordinaries Accumulation Index rose 13.1% over the same period.

The Net Tangible Asset ("NTA") value per share of the parent entity has increased by 8.2% - after inclusion of the 8 cents per share of dividends paid the NTA return was 15.8%.

Other than the item set out below, there have been no other significant changes to the operations of the Company since the previous financial period. The Company continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Company and in accordance with the provisions of the Company Constitution.

Funds management activities

In late 2013 the Company acquired 100% of Contango Group Pty Ltd (the holding company of the manager of Contango MicroCap Limited's investment portfolio) and Bellwether Partners Limited. These activities have now been fully integrated into the Company. In addition to the Company's microcap portfolio the Company has 12 external institutional clients with more than $600m of funds under management across a variety of Australian equity products and is now well placed to focus on growing funds under management.

Significant changes in the state of affairs

At the Company's Annual General Meeting, shareholders approved the acquisition of the 50.004% of Contango Group Pty Ltd that it did not already own. The acquisition was completed on 30 November 2013, which was funded through the issue of ordinary shares and options in the Company.

On 30 October 2013, the consolidated entity diversified its exposure to funds management by acquiring 100% of the boutique funds management firm, Bellwether Partners Limited.

These transactions are disclosed further in Note 20 ("Business Combinations") of these financial statements.

There have been no other significant changes in the Company's state of affairs during the financial year.

After balance date events

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Likely developments

The Company will continue to pursue its operating strategy to create shareholder value by investing in microcap companies listed on the Australian Securities Exchange (ASX) and furthering its funds management activities.

Environmental regulation

The Company's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Dividend paid, recommended and declared

The final dividend for the year ended 30 June 2013 of 4 cents per share (50% franked) was paid to shareholders on 24 September 2013. The interim dividend for the year ended 30 June 2014 of 4 cents per share (25% franked) was paid to shareholders on 31 March 2014.

The final dividend for the year ended 30 June 2014 of 4.6 cents per share has been declared and will be paid to shareholders on 30 September 2014. This dividend is 50% franked.

Total dividends paid or declared during FY14 was $12,278,508 (2013: $12,664,290).

Share options

(i) Listed Options

49,759,372 options over ordinary shares were granted to eligible shareholders as a bonus entitlement on the basis of one option for every three ordinary shares held at 25 February 2013. The options had an expiry date of 28 February 2014 and an exercise price of $1.20. Leading up to the expiry date, the share price was short of the exercise price of the options resulting in only a small number of options being exercised (6,283 for a capital value of $7,540). The remainder of the listed options expired unexercised.

(ii) Unlisted Options

557,052 unlisted options were granted during the completion of the acquisition of the 50.004% of Contango Group Pty Ltd (CGPL) on 30 November 2013. These options have an exercise price of $1.106 and expire on 30 November 2016. There has been no exercise of any of the unlisted options up to 30 June 2014.

Directors' Report (continued)

Information on directors and company secretary

The qualifications, experience and special responsibilities of each person who has been a director of Contango MicroCap Limited at any time during the year is provided below, together with details of the company secretary as at the year end.

Name Mark G Kerr

Position Chairman (Non-executive)

Qualifications LL.B. (University of Melbourne)

Appointment 7 December 2009

Experience and expertise Mark has specialist expertise in the areas of finance, marketing, property and issues management. In 1989 he was appointed Finance Director of Weber Shandwick Worldwide Australia (WSW), in 1994 joint Managing Director, then in 1998, Chief Executive Officer.

Mark has served on a number of company boards – he is currently Non-Executive Chairman of Think Childcare and Education Limited (appointed August 2014), Non-Executive Chairman of Hawthorn Resources Limited (Appointed November 2007). Mark is also a Director of Berkeley Consultants Pty Ltd, a public relations and reputation management consultancy and Member, Juvenile Diabetes Research Foundation (JDRF) Committee (Victoria) since 2006.

Mark is a Director and Advisor to various private companies.

Name Ian N Ferres AM

Position Board member (Non-executive)

Qualifications FIAA, FAICD

Appointment 7 December 2009

Experience and expertise Ian has had a distinguished career in the funds management industry. His executive roles included Executive Director, National Mutual from 1983 to 1990 with responsibility for all worldwide equity, property, and fixed interest investments, and financial/banking ventures from 1975 to 1988; Managing Director of Meridian Funds Management 1988 to 1990; and as Group Managing Director and CEO of Australian Unity from 2002 to 2004.

Ian has served on over 25 Boards over the last 25 years, and as Chairman of 16 of these. They included both listed and unlisted public companies, private companies, and Federal and State Authorities.

Ian currently holds a number of non-executive positions including as Consultant, TressCox Lawyers and Chairman, Technology Development Investment limited.

Name David I Stevens

Position Managing Director

Qualifications Bachelor of Economics (Monash University)

Appointment 14 January 2004

Experience and expertise David first began in the investment industry in 1978 and has been associated with over 21 years of first quartile investment performance. His specialist skills are Australian equities, as well as the generalist skills of strategic asset allocation through intimate knowledge of international equities, domestic and fixed interest and domestic property. More recently David joined HSBC Asset Management in 1989. He became Chief Investment Officer in 1990 and Managing Director from 1992 until his resignation in November 1998.

Funds under management at HSBC grew from $700 million to in excess of $6.3 billion during his period as Managing Director. The bulk of these were in Balanced and Australian equity mandates.

Special Responsibilities: Chief Executive Officer

Name Glenn Fowles

Position Board Member (Executive)

Qualifications Bachelor of Business (Accounting and Finance) (Massey University, NZ)

Appointment 14 January 2004

Experience and expertise Glenn has worked in the financial services industry since 1985. His roles at fund management organisations have included that of Company Accountant, Operations Manager, Financial Controller, Finance Director, Chief Operating Officer and Chief Executive Officer. Glenn has extensive experience in all aspects of investment administration, including investment accounting, custody, information systems, compliance and taxation.

Special Responsibilities: Company Secretary and Chief Financial Officer

Directors' meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

BOARD MEETINGS	Eligible to attend	Attended
Mark G Kerr	11	11
Ian N Ferres	11	11
David I Stevens	11	11
Glenn Fowles	11	11

AUDIT & COMPLIANCE COMMITTEE MEETINGS	Eligible to attend	Attended
Bill Beerworth	2	2
Ian N Ferres	2	2
David I Stevens	4	4
Mark G Kerr	2	2
Jonathon Zdilar	4	4

Directors' interests in shares and options

Directors' relevant interests in ordinary shares and options of Contango MicroCap Limited are detailed below.

	2014 SHARES	2014 OPTIONS	2013 SHARES	2013 OPTIONS
Mark G Kerr	Nil	Nil	Nil	Nil
Ian N Ferres	Nil	Nil	Nil	Nil
David I Stevens	2,469,255	nil	138,211	46,070
Glenn Fowles	588,105	180,289	55,855	18,619

Indemnification and insurance of directors, officers and auditors

During the financial year, the Company has paid insurance premiums amounting to $76,230 (2013: $43,568) insuring all the directors and the officers which indemnifies them against any claim made against them subject to the conditions contained within the insurance policy. Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the policy terms. No indemnities have been given or insurance paid for the auditors of the Company.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company.

Director's Report (continued)

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is provided with this report.

Non-audit services provided by auditor

Non-audit services are approved by the audit committee. Advice in respect of Goods and Services Tax were provided by the auditors (Pitcher Partners) of the Company during the year. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Amounts paid and payable to Pitcher Partners for:	2014 $'000	2013 $'000
Audit and other assurance services		
Audit and review of financial reports	65	65
Total remuneration for audit and other assurance services	65	65
Other non-audit services		
Taxation services	29	—
Total remuneration for non-audit services	29	—
Total remuneration of Pitcher Partners	94	65

Rounding of amounts

The amounts contained in the report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

Mark Kerr

Director
Melbourne
28 August 2014

Remuneration Report (audited)

Message from the Board

We are pleased to present the Remuneration Report for the financial year ending 30 June 2014. This report clearly explains to shareholders the remuneration framework and outcomes for our Senior Executives and Non-executive Directors during 2013/2014.

Remuneration Framework

Prior to the acquisition of Contango Asset Management (CAML) in November 2013 we had one staff member. We now have 16 additional staff and 14 extra portfolios to manage which has resulted in a much more complex organisation. Due to these changes, we have commenced a review of all remuneration arrangements existing within the Contango Group. Our review will be finalised next financial year where we will undertake the following:

- A review of job roles and responsibilities of all key management personnel.
- Alignment of the key management personnel and senior managers to market rates of pay.
- A review of Non-executive Directors emoluments and the selection of additional independent Non-Executive Directors.
- Review of the short term incentive program for managerial staff including performance hurdles and alignment of key performance objectives for each participant in line with the strategic plan of the organisation.
- In the future we also will consider the implementation of a long term incentive plan for key staff as agreed at the 2013 AGM.

We will continue to review the key management personnel fixed reward to ensure that it is aligned to the market providing incentive and encouragement to management to exceed expectations.

These refinements will ensure that our remuneration framework continues to challenge our senior executives to achieve outcomes that are consistent with the group's strategic focus and are designed to support our growth strategy.

2014 Financial Year

We have not met the performance hurdles established for payment from the short term incentive. However, within the plan there was discretion granted to the Remuneration Committee to recommend, where it saw fit, incentive payments of up to $200,000 as a maximum pool for distribution to those individuals who have outperformed expectations, even if the organisation has not achieved the targets initially set for the plan.

This discretion enabled the Board to motivate and retain key personnel while ensuring that the business is established to exceed expectations in the future.

Given that we only completed the purchase of CAML at the end of November 2013, the report highlights seven months' salary for the senior executives for this year.

Signed

Mark Kerr

Remuneration and Nominations Committee Chairman
28 August 2014

Remuneration Report (continued)

1 Introduction

This section describes the scope of the Remuneration Report and the individuals whose remuneration details are disclosed.

1.1 Scope

The Remuneration Report sets out in accordance with the Corporations Act 2001 (Cth) and relevant accounting standard requirements the remuneration arrangements in place for the Key Management Personnel (KMP's) of the group during the 2014 financial year.

The information provided in this Remuneration Report has been audited setting out the total remuneration realised in the 2014 financial year. To ensure transparency and simplicity, we have compiled tables highlighting the actual remuneration provided to both Non-Executive Directors and senior executives in addition to the statutory requirements.

1.2 KMP's for the 2014 Financial Year

For the purposes of this Remuneration Report the KMP's are referred to as either senior executives or Non-Executive Directors. The senior executives and the Non-Executive Directors as at 30 June 2014 are set out in the table below:

Key Management Personnel (KMP's) (as at 30 June 2014)

Name	Title	Change during the 2014 financial year
Mark Kerr	Chairman and Independent Non-Executive Director	No change
Ian Ferres	Independent Non-Executive Director	No change
David Stevens	Executive Director and Managing Director	No change
Glenn Fowles	Executive Director, Chief Financial Officer and Company Secretary	No change

2 Remuneration Governance

This section describes the role of the Board, the Remuneration and Nominations Committee and the use of external advisors when making decisions.

2.1 Role of the Board and the Remuneration and Nominations Committee

The Board is responsible for the group's approach to remuneration. Consistent with this responsibility, the Board has established a Remuneration and Nominations Committee that comprises all of the independent directors.

The role of the Remuneration and Nominations Committee is set out in its charter which was last revised and approved by the Board on 14 November 2013 and is available on our website.

With respect to its remuneration functions, its role is to:

- Review and approve the remuneration strategy and policies for the group.
- Consider and propose to the Board the remuneration of the CEO and consider and approve the remuneration for all other senior executives.
- Review and approve the group's STI and LTI plans and the amount in terms of grants and payments made to senior executives under these plans.
- Determine and approve the treatment of equity awards when senior executives cease employment.
- Review and make recommendations to the Board regarding the remuneration of Non-Executive Directors.

In making its decisions the Remuneration and Nominations Committee considers advice from the CEO and other members of management and from external advisors. Further information on the Remuneration and Nominations Committee role, responsibilities and membership is contained in the Corporate Governance Statement.

2.2 Use of External Advisors

The Remuneration and Nominations Committee seeks and considers advice from independent and external advisors when required. Such advice will typically cover Non-Executive Director remuneration, senior executive remuneration and advice in relation to short and long term incentive plans.

Hart Consulting Group has been approved by the Remuneration and Nominations Committee to be the Group's principal advisor on executive remuneration. During the 2014 financial year, the main focus of Hart Consulting Group's role was to assist the Board in compiling the Remuneration Report and provide market information on remuneration levels for senior executives.

During the 2014 financial year, advice paid for by the organisation on these issues was $19,650 plus GST.

3 Executive Remuneration

This section describes the remuneration approach that applied during the 2014 financial year as well as how performance is linked to reward under the executive remuneration framework.

3.1 Remuneration Principles

The key remuneration principles are to:

- Ensure that executives are rewarded on the basis of performance measures that support the group's business plans and strategies and are consistent with our overall values.
- Align the interests of executives and shareholders by focusing on those characteristics that underpin growth in shareholder value.
- Attract and retain key talent.
- Provide a balance between fixed and performance based variable remuneration.

3.2 Remuneration Components

Executive remuneration for the 2014 financial year was delivered as a mix of fixed and variable remuneration set out in the table below. Variable remuneration is remuneration that moves up or down to reflect group and individual performance and can be earned through the short term incentive plan and in the future through the long term plan.

Fixed Remuneration	Base salary, non-monetary benefits and superannuation.
STI	Annual variable remuneration delivered as cash subject to financial and personal performance measures.
LTI	Equity based award subject to performance hurdles measured over a three year performance period (not yet implemented).

Remuneration Report (continued)

How each of these components align with, and support, the group's business strategy is shown in the diagram below.

Executive Remuneration Framework

Business Strategy

Our aim is to be renowned for excellence through above average investment returns meeting customer service requirements across specific markets while empowering our people to achieve these results.

Remuneration Framework

Fixed Remuneration	STI	LTI
Reviewed annually	Based on a mix of financial and non-financial measures.	Not yet implemented
Define peer groups for comparisons	Relevant to the executive's specific role and the overall performance of the group and its various subsidiaries.	
Define policy regarding how remuneration should compare to these peer groups.	Financial benchmarks are established at the start of a performance period, if the benchmarks are met the plan is opened for assessment.	
Influenced by individual performance	Performance measured over a 12 month period to achieve annual targets and business strategy.	
	Performance hurdles established for senior executives are both group and personal performance targets based on funds under management, investment returns and profitability.	
	Paid as a combination of cash and share rights that are deferred for a 12 months period subject to withholding a clawback at the judgement of the Remuneration and Nominations Committee.	

Outcomes

Market competitive remuneration to attract and retain executives.	Focuses on achieving a combination of group financial performance, investment returns and a variety of other measures over a 12 month period.	When implemented, will ultimately focus the executive on growing the group earnings and shareholder returns over the next three years.
	Deferral into share rights ensures executives are only rewarded if group performance is sustainable, assist with retention of key executives and provides the Remuneration and Nominations Committee the ability to reduce the deferred amount if appropriate with the benefit of hindsight.	Creates ongoing alignment with shareholders and enhances retention.
		Annual long term grants result in continuing exposure to the group's share price and a focus on rolling performance periods thereby encouraging stable growth.

3.3 Timing of Remuneration Components

The different components of remuneration reflect a focus on both short and long term performance and delivery of these components over timeframes ensure that executives remained focused over a multi-year horizon.

Retention of executives is assisted by:

- The deferral of a portion of any STI earnt by the executives during the year if it exceeds a multiple of salary.
- The annual award and multi-year performance period of the LTI plan. (LTI to be introduced in FY15.)

Generally if executives leave the group before the awards vest, they will forfeit their entitlement.

The granting of equity to senior executives will ensure that executive rewards are aligned with shareholder returns by having ongoing exposure to the company's share price.

3.4 Approach to Setting Remuneration

Individual remuneration is determined by reference to:

- The policy remuneration mix set out in the table below, applied in accordance with the terms of the senior executives contracts.
- Available market data for comparable roles.
- Consideration of factors specific to the individual.

The market data referenced in reviewing remuneration is for comparable roles in similar sized funds management organisations based on funds under management.

Fixed remuneration and total target remuneration is typically positioned between the median and the 75th percentile of the relevant market. The objective of this target positioning is to facilitate the attraction and retention of the best talent in a competitive market.

Actual market positioning for each individual may deviate above or below the policy due to consideration of internal relativities, experience, tenure in the role and individual performance.

Remuneration levels are reviewed annually by the Remuneration and Nomination Committee and upon change of an executive's position.

The Board approves any changes to the CEO's and CFO's remuneration arrangements following consideration by the Remuneration and Nomination Committee.

FY14 Policy Remuneration Mix	Fixed Remuneration	Target STI	LTI (grant value)
CEO	50%	50%	0
CFO/Co. Sec.	50%	50%	0
Future Policy (once LTI plan implemented)			
CEO	33%	33%	33%
CFO/Co. Sec.	33%	33%	33%

3.5 Executive Components in Detail

Detailed below is more detailed information on the fixed and short term incentive programs that currently exist for the senior executives.

3.5.1 Fixed Remuneration

Fixed remuneration received by the senior executives comprise base salary, superannuation and other monetary benefits. These other monetary benefits included payment of health insurance premiums along with fringe benefits tax.

As at January 2014, senior executives remuneration was reviewed in accordance with their employment contracts and Mr Fowles' remuneration was increased but Mr Stevens' fixed remuneration was kept constant.

During FY14 it was decided to simplify fixed remuneration even further so that the fixed remuneration covered only salary and superannuation. This fixed remuneration will be reviewed annually, once the Board has reviewed all of the salient factors. If and when minimum superannuation entitlements increase, this will not affect the fixed remuneration for the senior executives, only increases granted by the Board will enable fixed remuneration to increase from one period to another.

3.5.2 STI Plan

The FY14 short term incentive plan was based on meeting a performance hurdle which was a percentage of profit for Contango Asset Management Limited (CAML) plus growth in business as measured by funds under management.

Once the profit hurdle was surpassed a proportion of the profits established the bonus pool. A judgement on a range of key performance indicators for each participant was then used to determine the distribution of the profit pool to the participants.

For FY14 the minimum performance profit target was not achieved, however, the Board had the option to allocate up to $200,000 in bonuses to all participants in the short term incentive on a discretionary basis considering all salient issues. No bonuses were paid during FY14.

Remuneration Report (continued)

For FY15, revised targets will be established for the short term incentive measuring profitability, funds under management, investment performance and other key variables that impinge on the overall success of the funds management business and with this market level incentives are expected to be allocated to the participants should the targets be achieved.

3.5.3 LTI Plan

No long term plan currently has been established for FY14, however, the approval of a plan was agreed to and voted for by shareholders at the last AGM. It is therefore the intention of the Board to introduce an appropriate share based plan to selected senior executives during the year and this design will be outlined in next year's Remuneration Report.

3.6 Executive Employment Contracts

The following sets out details of the contract terms relating to the disclosed executives.

Executive and Role	David Stevens – CEO	Glenn Fowles – CFO/Co. Sec.
Fixed Reward	$590 000	$360 000
Superannuation	Compulsory superannuation is deducted from the fixed reward up to the maximum contribution base.	Compulsory superannuation is deducted from the fixed reward up to the maximum contribution base.
Short Term Incentive	Target 100%	Target 100%
Non-monetary Benefits	Nil	Nil
Termination by the executive	6 months	6 months
Termination by the company	6 months	6 months
	Or immediately if cause	Or immediately if cause
Contract period	Open ended and exclusive	Open ended and exclusive
Restraint	6 months from being engaged in a business or activity in Australia and New Zealand which competes with or is substantially similar to the business of CAML.	6 months from being engaged in a business or activity in Australia and New Zealand which competes with or is substantially similar to the business of CAML.

3.7 Senior Executive's Total Remuneration

We recognise that the required presentation of this information can make it difficult for shareholders to understand the actual value senior executives derive from the various components of their remuneration. Accordingly, the table below sets out the value of fixed remuneration and short term incentive earned during FY14.

This table provides additional information and is not intended to reflect the disclosures that are made elsewhere in this annual report which has been prepared in accordance with the Accounting Standards and the requirements of the Corporation Act.

Total remuneration realised for current senior executives during the 2014 financial year.

Name	Cash Salary[1]	Superannuation[1]	Other[1,2]	STI earned (and paid in 2014)	LTI	Total[3]
D. Stevens	$334 078	$12 970	$4 486	$0	Nil	$351 534
G. Fowles	$191 033	$12 970	$8 963	$0	Nil	$212 966

1. This relates to seven months' pay from when CTN acquired CAML. 2. Includes health insurance premiums and fringe benefits tax (FBT) where applicable. 3. This is cash salary, superannuation, other benefits and STI earned for FY14 but paid in FY15.

Statutory KMP Table

	Short Term Employee Benefits[1]			Post Employment[1]			Long Term Benefits[4]				
	Cash Salary	Bonuses[2]	Non Monetary[3] Benefits	Super Benefits	Termination Benefits	SUBTOTAL	Shares	Fair Value of Shares	TOTAL PAYMENTS	Percentage[5] of Cash Bonuses	Percentage Share Based Incentive
D. Stevens											
FY14	$334 078	–	$4 486	$12 970	–	$351 534	–	–	$351 534	–	–
FY13	–	–	–	–	–	–	–	–	–	–	–
G. Fowles											
FY14	$191 033	–	$8 963	$12 970	–	$212 966		–	$212 966	–	–
FY13	–	–	–	–	–	–	–	–	–	–	–
M. Kerr											
FY14	$149,375	–	–	$5,550	–	$154,925	–	–	$154,925	–	–
FY13	$90,800	–	–	$5,400	–	$96,200	–	–	$96,200	–	–
I. Ferres											
FY14	$134,100	–	–	$24,350	–	$158,450	–	–	$158,450	–	–
FY13	$69,830	–	–	$8,650	–	$78,480	–	–	78,480	–	–

1. Relates to seven months' salary only when CTN took over CAML, hence there is no historical data for FY13. 2. Bonus payments refer to the FY14 year only. The bonuses earnt in FY14 are paid in FY15. 3. Refers to the value of health insurance premiums and the FBT liability. 4. No plan is in place for FY14 although a plan has been approved by shareholders at last year's AGM. 5. Percentage calculation is based on the cash STI in FY14 as a percentage of total payments.

4 Non-Executive Director Remuneration

This section explains the remuneration arrangements for Non-Executive Directors (Executive Directors do not receive additional remuneration). Details of the Non-Executive Directors and their Board Committee memberships as at 30 June 2014 are set out in the table below:

Director	Position	Board Committees (as at 30 June 2014)
Mark Kerr	Chairman and Independent Non-Executive Director	Remuneration and Nominations Committee – Chairman Audit and Risk Committee – Member
Ian Ferres	Independent Non-Executive Director	Audit and Risk Committee – Chairman Remuneration and Nominations Committee – Member

4.1 Setting Non-Executive Director Remuneration

The Remuneration and Nominations Committee annually reviews and makes recommendations to the Board regarding Non-Executive Director fees and committee fees.

The Remuneration and Nominations Committee may seek advice from independent external advisors in forming their recommendations.

Remuneration for Non-Executive Directors is designed to ensure that the group can attract and retain suitably qualified and experienced Directors. Fees are based on a comparison to market for Director fees in companies of a similar size and complexity.

Non-Executive Directors do not receive shares, options or any other performance related incentives.

4.2 Fee Levels and Fee Pool

Directors' fees have not increased since the current incumbents were appointed in December 2009.

The aggregate annual fees to the Non-Executive Directors for their services as Directors are limited to the maximum annual amount approved by shareholders. The maximum annual amount is currently $750,000 (including superannuation contributions) as approved by shareholders at the 2013 AGM.

Remuneration Report (continued)

The fees paid to Directors for FY14 are set out in the table in section 4.6. In addition to these fees, superannuation contributions will be made for the benefit of the Non-Executive Directors capped at the maximum amount required under the superannuation guarantee legislation.

Board and Committee Fees	Chairman	Member
Board	$65 550	$65 550
Audit and Risk Committee	0	0
Remuneration and Nominations Committee	0	0

In addition to the fees above, Mr Kerr and Mr Ferres are also paid for additional work carried out as consultants. This has included the work undertaken to acquire CAML, CCQ and Bellwether Partners and a variety of other sales activities. During the acquisition of CAML, CAML's executive directors and senior management were beneficiaries of the transaction. Consequently, after seeking legal advice on the matter, the non-executive directors acted in an executive capacity in this transaction.

Appropriate daily rates approved by the Board after advice from external advisors have been changed by the Non-executive Directors in undertaking the work associated with the takeover of the various organisations.

4.3 Non-Executive Directors Retirement Benefits

There are no retirement benefits applicable to Non-Executive Directors other than payment of monies into the superannuation fund.

4.4 Non-Executive Director Total Remuneration

Details of the Non-Executive Directors remuneration for 2013 and 2014 financial years are set out in the table below:

	Short Term Benefits		Post-Employment Benefits		Total
Directors of Contango Group Companies	Board of Committee Fees	Takeover Committee	Super Contribution	Termination Benefits	
M. Kerr					
2014	$ 60 000	$ 89 375	$ 5 550	—	$154 925
2013	$ 60 000	$ 30 800	$ 5 400	—	$ 96 200
I. Ferres					
2014	$ 60 000	$ 74 100	$ 24 350	—	$158 450
2013	$ 56 750	$ 13 080	$ 8 650	—	$ 78 480
B. Beerworth[1]					
2014	—	—	—	—	—
2013	$ 55 000	$ 33 540	—	—	$ 88 540
G. Bundy[1]					
2014	—	—	—	—	—
2013	$ 27 000	—	—	—	$ 27 000
Total					
2014	$120 000	$163 475	$ 29 900	—	$313 375
2013	$198 750	$ 77 420	$ 14 050	—	$290 220

1. This refers to Board members for Contango Capital Partners (CCQ) since acquired by CTN as at January 2013.

4.5 Voting and comments at Company's AGM

At the Company's Annual General Meeting held on 20 November 2013, 82.1% of votes cast by shareholders approved the remuneration report for FY13.

PITCHER PARTNERS

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF CONTANGO MICROCAP LIMITED

In relation to the independent audit for the year ended 30 June 2014, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of any applicable code of professional conduct.

N R BULL
Partner

28 August 2014

PITCHER PARTNERS
Melbourne

An independent Victorian Partnership ABN 27 975 255 196
Liability limited by a scheme approved under Professional Standards Legislation

Pitcher Partners is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane| Newcastle
An independent member of Baker Tilly International

ASX Corporate Governance Statement

The directors of the Company are committed to maintaining best practice in corporate governance.

This Statement encompasses key aspects of Contango Microcap's corporate governance practices for the 2013/14 financial year by reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 2nd Edition, including the 2010 amendments ("ASX Principles and Recommendations").

The following statement outlines the Company's compliance with the ASX Recommendations.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Roles and Responsibilities of the Board

The board has adopted a formal Board Charter that sets out its role and responsibilities. The board charter may be found in the "Corporate Governance" section of Contango Microcap Limited's website. (ASX Recommendations 1.1 and 1.3).

The board has the primary responsibility for the oversight, management and performance of the Company which includes compliance with the Company's corporate governance objectives.

The board is responsible for:

- oversight of strategic financial objectives;
- nomination, appointment and monitoring of the board;
- appointment, monitoring and review of the performance of the investment manager;
- approving and monitoring risk, compliance and corporate governance;
- reporting to shareholders and continuous disclosure;
- approving and monitoring financial and other reporting including declaration of dividends;
- supervising secretarial and other matters such as convening shareholder meetings; and
- initiating plans and changes, and delegating to committees or the investment manager where appropriate.

Performance of Executives

The performance evaluation process for the Managing Director and senior executives takes the form of an individual assessment by the Board in the case of the Managing Director, and in the case of senior executives, by the Managing Director. Performance outcomes are linked to short-term incentives and recommendations are made to the Remuneration Committee and to the Board for approval.

Induction and Continuing Education

All new directors of the Company receive induction training covering (as appropriate):

- company structure and operations;
- risk management, corporate governance and various employee policies; and
- office procedures and administrative information;

All directors of the Company have access to continuing education to enhance their skills and knowledge.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board Structure

The board determines the number of directors it has as well as its composition, subject to terms of Contango Microcap Limited's constitution.

The Directors of the Company are as follows:

Director	Date of Appointment
Mark G Kerr	7 December 2009
Ian N Ferres	7 December 2009
David I Stevens	14 January 2004
Glenn Fowles	14 January 2004

Director Independence

Directors are expected to bring independent views and judgment to all board deliberations whether independent or not. The skills, experience and expertise relevant to the position held by each director in office at the date of this report are described in the Directors' Report on pages 2-6 of this financial report.

The board has reviewed the position and associations of all four directors in office and has determined that Messrs Ferres and Kerr are independent of the Company. In making this determination the board has had regard to the independence criteria within the ASX Guideline Principles and other information and circumstances that the board considers relevant. The board will assess the independence of any new directors upon appointment and will regularly review each director's independence, as appropriate.

The board's structure is not consistent with the ASX Recommendation 2.1 in respect of having a majority of independent directors during the 2013/2014 year. Given the size and cohesion of the board, the board considers that it has the relevant experience in the industry in which it operates and is appropriately structured to perform its duties in a manner that is in the best interests of the Company and its shareholders from both a long term strategic and operations perspective.

Meetings of The Board

For this current financial year, the board met formally at least 11 times throughout the year and on other occasions as required. On the invitation of the board, members of the Company's advisers attend and make presentations to the board.

Retirement and Re-Election

The constitution of the Company sets out the terms for appointment and removal of directors. This requires one third of the directors to retire from office at each annual general meeting. Directors who have been appointed by the board are required to retire from office at the next annual general meeting and are not taken into account in determining the number of directors to retire at that annual general meeting. Directors cannot hold office for a period in excess of three years (or later than the third annual general meeting following their appointment) without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

Access to Information and Independent Advice

All directors have unrestricted access (subject to law) to all Company records and information held by the Company as well as to the employees of Contango Asset Management Limited ("CAML"), Contango Group Services Pty Limited and Bellwether Partners Limited (BPL).

The Board acknowledges that all Directors – whether independent or not – should bring an independent judgment to bear on all Board decisions. Each director is entitled to obtain independent professional advice at the Company's expense for the purpose of assisting them in performing their duties (ASX Recommendation 2.6). A director who wishes to obtain such advice must first obtain the approval of the chair (and such approval must not be withheld unreasonably) and must provide the chair with the reason for seeking such advice, the identity of the person or firm from whom the advice will be sought and the likely cost of obtaining such advice. Advice obtained in this manner is made available to the board as a whole.

Performance Assessment

To ensure continuing high standards of performance and governance, the board has adopted a formal assessment policy. The policy provides for an annual review of the board and individual directors focussing on performance against the requirements of the board as well as other criteria determined by the board.

Role of the Chairman and the Managing Director

The Board acknowledges the importance for a separation of responsibility at the head of Contango Microcap Limited.

The Chairman of the Board, Mr. Mark Kerr is an independent director (ASX Recommendation 2.2).

The roles of Chairman and Managing Director are exercised by separate individuals (ASX Recommendation 2.3).

The Managing Director, Mr. David Stevens is responsible to the Board for the discharge of the management function and the implementation of corporate objectives by the Board.

ASX Corporate Governance Statement (continued)

Standing Board Committees

To assist in the discharge of its duties, the Board has established the following committees:

- Nomination Committee (ASX Recommendation 2.4) - whose function is to nominate and appoint directors, conduct board evaluations and any other directorships held by board members,
- Remuneration Committee (ASX Recommendation 8.1) –whose function is to assist and advise the board with respect to compensation, superannuation, bonuses, incentives and other remuneration issues of the chief executive officer, non-executive directors and staff.
  - The maximum amount of remuneration payable to directors is fixed within the Company's constitution at $750,000.
  - Directors that are not employees (Messrs Ferres and Kerr) receive directors' fees – the amount of which is reviewed by the full board annually within the restrictions imposed by the Company's constitution.
  - Performance evaluation and remuneration of employees is undertaken independently by CTN's Remuneration Committee.
- Audit and Compliance Committee (ASX Recommendation 4.1)

  The functions of the Audit & Compliance committee include:

  - oversight of preparation and presentation of financial statements;
  - reviewing the effectiveness and performance of the Company's external auditors;
  - ensuring the independence and competence of the external auditors; and
  - ensuring that the risk and compliance responsibilities for the company and it's controlled entities are undertaken and are reported to the Board.

Each Committee has a formal charter which sets out its role and responsibilities, composition, structure and membership requirements. Committee charters may be found in the "Corporate Governance" section of Contango Microcap Limited's website. (ASX Recommendations 2.6, 4.4 and 8.4).

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING COMPANY POLICIES

Code of Conduct

The Company has adopted a code of conduct for its directors and employees. The code of conduct aims to establish Company values and maintain the highest level of ethical standards, corporate behaviour and accountability. The code describes:

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to meet legal obligations and the reasonable expectations of stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

In particular, the code addresses:

- compliance with laws including taxation laws;
- fair dealing;
- confidentiality and protection of Company assets;
- conflicts of interest;
- obligations to shareholders and the financial community;
- trading in Company securities;
- reporting non-compliance and grievances;

Several of these matters are supported by their own specific policies and procedures.

A summary of the Code of Conduct may be found in the "Corporate Governance" section of Contango Microcap Limited's website (ASX Recommendation 3.1).

Share Trading

Under the Company's share trading policy, directors and employees are prohibited from trading in the Company's shares if they are in possession of market sensitive information. Subject to this, trading by directors or employees can occur only at times permitted within the policy which are outside "closed" periods. "Closed" periods are defined as:

- 3 days prior to month-end through to one day after the announcement of the monthly Net Tangible Asset value;
- From balance date until 2 days after the release of half-year and full-year results;
- 2 weeks prior to and 2 days after any general shareholder meeting of the Company.

A copy of CTN's Share Trading Policy may be found in the "Corporate Governance" section of Contango Microcap Limited's website

Australian Financial Services Licensees Conflicts of Interest Policies

As Australia Financial Services Licensees, the controlled entities Contango Asset Management Limited and Bellwether Partners Limited have each established a Conflicts of Interest Policy to ensure that adequate arrangements are in place for the management of conflicts of interest between its own interests and those of its clients as financial services licensees. The policies are designed to outline each financial services licensees expectations and requirements in relation to conflicts and to further promote a culture of compliance.

Diversity Policy

The company is committed to diversity in its recruitment of staff. Given the size of the company, the following ASX recommendations have not been implemented (ASX Recommendation 3.5):

- a Diversity Policy has not been established under (ASX Recommendations 3.2),
- measurable objectives to achieve Diversity (ASX Recommendation 3.3);
- proportion of women employees in the whole organisation, women in senior executive positions and women on the board (ASX Recommendation 3.4)

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board of Contango Microcap Limited has ultimate responsibility for ensuring the integrity of Contango Microcap Limited and its controlled entities financial reporting.

Declaration by the Managing Director and the Chief Financial Officer

The Company's financial report preparation and approval process involves:

- Mr. Fowles in his capacity as Chief Financial Officer and director of Contango Microcap Limited and its controlled entities; and
- Mr. Stevens in his capacity as director and chief executive officer of Contango Microcap Limited providing a statement to the board that, to the best of their knowledge and belief, the Company's financial report presents a true and fair view, in all material respects, of the Company's financial condition and operating results and are in accordance with applicable accounting standards.

Audit and Compliance Committee

The Audit and Compliance Committee assists the Board in discharging its responsibilities relating to reporting and audit processes, systems of internal controls, the process for monitoring compliance with applicable laws, regulations and codes of conduct (including in relation to related party transactions) and risk management systems (ASX Recommendation 4.1).

The Committee shall assist the CTN Board to discharge its responsibilities for the CTN Group.

With respect to the CTN group's financial statements and financial reporting, to monitor:

- the audit of CTN group companies including Bellwether Partners Limited ("BPL") and Contango Asset Management Limited ("CAML") in their capacities as Australian Financial Services Licensees ("AFSL");
- CTN's annual insurance program;
- the CTN Group's Risk Management Systems; and
- compliance with legal and regulatory obligations for the CTN group including BPL and CAML as holders of AFSLs.

ASX Corporate Governance Statement (continued)

The Charter for the Audit and Compliance Committee may be found in the "Corporate Governance" section of Contango Microcap Limited's website (ASX Recommendation 4.3).

The Audit & Compliance Committee members include:

- Mr. Ian Ferres, Qualified Actuary (Independent Chairman of the Audit & Compliance Committee);
- Mr. Mark Kerr, L.L.B. Bachelor of Law (Independent Committee Member); and
- Mr. David Stevens B. Ec.(Executive Committee Member).

The Audit and Compliance Committee met 4 times throughout the reporting period (ASX Recommendation 4.4).

The Audit and Compliance Committee has full access to, and the co-operation of management and full discretion to invite any Director, members of management, or the external auditors (with or without management present), to attend its meetings.

AUDIT GOVERNANCE

Appointment of Auditors

The Company's current external auditors are Pitcher Partners.

If it becomes necessary to replace the external auditors for performance or independence reasons, the board will then formalise a procedure for the selection and appointment of new auditors. Pitcher Partners maintains internal policies to ensure the rotation of its external audit engagement partners.

Independence Declaration

The Corporations Act 2001 (Cth) requires external auditors to make an annual independence declaration to the board, declaring that the auditors have maintained independence in accordance with section 307C of the Corporations Act 2001.

Non-Audit Services by External Auditors

The board has implemented a process that governs the provision of non-audit services to the Company by the external auditors. In some cases the provision of specific services is not permitted in any circumstances (such as the preparation of accounting records, provision of valuations and provision of internal audit assistance). Alternatively some services (such as tax compliance services) are permitted while others require the prior approval of the board (such as tax advice and investigating accounting services).

Attendance at Annual General Meetings

The Company's external auditors attend and are available to answer questions at the Company's annual general meetings. Shareholders may submit questions for the external auditors to the company secretary no later than five business days before an annual general meeting.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure

The company does not have a formal policy regarding continuous disclosure given the size of the company and its internal controls (ASX Recommendation 5.1 and 5.2).

To ensure shareholders and investors have equal and timely access to material information concerning the Company, a monthly announcement is lodged with ASX detailing current performance of the Company. In addition to its disclosure obligations under the ASX Listing Rules, the Company communicates with its shareholders via a number of means. These communications can include annual and half-yearly reports, media releases, public announcements and annual general meetings.

The Company is committed to using general meetings of the Company to effectively communicate with shareholders and to allow reasonable opportunity for informed shareholder participation.

In addition to the above forms of communications to shareholders, the company also has a comprehensive website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITYHOLDERS

Contango Microcap Limited has developed a leading communications approach amongst listed investment companies to assist with communicating information in a timely manner.

All relevant announcements made to the market and related information such as presentations to analysts and research houses, are published on Contango Microcap's website after they have been released to the ASX. The full year and half-year financial results are also published on the website. The following additional information is also available on the website:

- ASX Share Price
- Dividend History
- Events and Dates
- Video Gallery
- Webinars
- Your Share Registry
- Reports - Monthy NTA
- Reports – Quarterly
- Reports – Financial
- Research
- Articles
- Publications; and
- Mobile Apps

Contango Microcap Limited ("CTN") encourages shareholders to attend CTN's Annual General Meeting to meet the Directors and to ask questions. The full text of notices of meeting and explanatory material will be published on CTN's website (ASX Recommendation 6.1).

Contango Microcap Limited's external auditor, Pitcher Partners, is required to attend the Annual General Meeting. Shareholders will be given a reasonable opportunity to ask questions of the external auditor or its representative concerning the conduct of the audit and the preparation and content of the auditors report.

Contango Microcap Limited does not have a formal communication policy as the amount of information available to investors on its website is extensive (ASX Recommendation 6.1 and 6.2).

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight and management and internal control.

Contango Microcap Limited has a formal Risk Management Policy for the oversight and management of material risks (ASX Recommendations 7.1 and 7.4).

The Company is committed to the identification, monitoring and management of risks associated with its business activities. As part of its management and reporting systems, a risk management system has been established which is founded on the detailed risk management procedures required under the Australian financial services licences held by the Company.

Directors and employees are ultimately responsible to their board for the Company's system of internal control and risk management. The internal controls are independently audited annually and a GS007 internal controls report is prepared for the Company's investment management clients.

Assurance by the Managing Director and the Chief Financial Officer

The Managing Director and the Chief Financial Officer provide a written statement to the Board that:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on sound systems of risk management ad internal compliance and control which implement the policies of the Board, and
- the systems or risk management and internal compliance and control are operating efficiently and effectively in all material respects in relation to financial reporting risks (ASX Recommendation 7.3).

The Board has received the Managing Director's and the Chief Financial Officers written assurance on financial reporting risks in respect of the 2013/2014 financial year.

ASX Corporate Governance Statement (continued)

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Policies

The Board acknowledges the need to adopt remuneration policies that attract and maintain talented and motivated Directors and employees so as to encourage performance and to pursue the long-term growth and success of Contango Microcap Limited.

Contango Microcap Limited's remuneration policies in relation to its Directors and key executives are set out in the Remuneration Report within the Directors' Report on pages 7-14. Details of the nature and amount of remuneration paid to each Director and key senior executives are also set out in the Director's Report (ASX Recommendations 8.3 and 8.4).

Role of Nomination Committee and Remuneration Committee

The Nomination Committee advises the Board on matters relating to the appointment and performance of Directors and of the Board as a whole, review of Board and Committee membership and performance, and succession planning.

The Remuneration Committee reviews, and advises the Board on, the general remuneration framework for Directors and senior executives, and the performance of senior executives and other key employees. The Remuneration Committee also reviews Contango Microcap Limited's obligations on matters such as superannuation and other employment benefits and entitlements. Members of management may attend meetings of the Nominations Committee or the Remuneration Committee by invitation, however individuals may not be present during, or participate in, deliberations where the matter does or could affect their position, remuneration or other related matters.

From time to time, external specialist remuneration advice is sought in respect of general remuneration arrangements and, in particular, advice on remuneration market movements.

Executive Remuneration

The Managing Director and other senior executives are remunerated through a combination of:

- base salary
- short –term performance based cash bonuses; and
- long-term performance based incentives pursuant to a long-term incentive plan.

Non-executive Director Remuneration

The remuneration policy for Non-executive Directors and the amount of remuneration paid to Non-executive Directors is discussed in detail in the Remuneration Report at pages 7-14 of the Directors Report. Non-executive Directors are not provided with any form of retirement benefits (other than superannuation) or equity-based compensation (ASX Recommendations 8.3 and 8.4).

The remuneration of Non-executive Directors is not linked to Contango Microcap Limited's performance in order to maintain their independence and impartiality.

In setting fee levels, the Remuneration Committee takes into account:

- Contango Microcap Limited's existing remuneration policies;
- independent professional advice; and
- fees paid by comparable companies.

ASX CORPORATE GOVERNANCE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

Principle	Recommendation	Section(s)	Comply
1	Lay solid foundations for management and oversight		
1.1	Establish and disclose the functions reserved to the board and those delegated to senior executives.	1	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	1	Yes
1.3	Provide the information indicated in the guide on Principle.	1	Yes
2	Structure the Board to add value		
2.1	A majority of the Board should be independent directors.	3	No
2.2	The Chair should be an independent director.	3	Yes
2.3	The roles of Chair and chief executive officer should not be exercised by the same individual.	2	Yes
2.4	The Board should establish a Nomination Committee.	7,9	Yes
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	10	Yes
2.6	Provide the information indicated in the guide to reporting on Principle 2.	2,3, 6 -10	Yes
3	Promote ethical and responsible decision-making		
3.1	Establish and disclose a code of conduct outlining: – the practises necessary to maintain confidence in the Company's integrity; – the practises necessary to take into account legal obligations and the reasonable expectations of stakeholders; and – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	13	Yes
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	14	No
3.3	Disclose in each annual report the measurable objectives for achieving diversity set by the Board in accordance with the diversity policy and progress toward achieving them.	14	No
3.4	Disclose in each annual report the proportion of women in the whole organisation, women in senior executive positions and women on the Board.	14	No
3.5	Provide the information indicated in the guide to reporting on Principle 3.	13,14	Yes
4.	Safeguard integrity in financial reporting		
4.1	Establish an Audit Committee.	9	Yes
4.2	Structure the Audit Committee so that it: – consists only of non-executive Directors – consists of a majority of independent Directors – is chaired by an independent chair, who is not the Chair of the Board; and – has at least three members.	9	Yes

ASX CORPORATE GOVERNANCE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS (continued)

Principle	Recommendation	Section(s)	Comply
4.3	The Audit Committee should have a formal charter.	9	Yes
4.4	Provide the information indicated in the guide to reporting on Principle 4.	8,9,18	Yes
5	Make timely and balanced disclosure		
5.1	Establish and disclose written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	19	No
5.2	Provide the information indicated in the guide to reporting Principle 5.	19	No
6	Respect the rights of shareholders		
6.1	Design and disclose a communications policy for promoting effective communication with shareholders and encouraging their effective participation at general meetings and disclose the policy or a summary of the policy.	20	No
7	Recognise and manage risk		
7.1	Establish and disclose policies for the oversight and management of material business risks.	15	Yes
7.2	Require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to the Board on whether those risks are being managed effectively. The Board should disclose whether management has reported to it as to the effectiveness of the Company's management of its material business risks.	15,16	Yes
7.3	Disclose whether the Board has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided under s295A of the Act is founded on a sound system of risk management and internal controls that is operating effectively in all material respects in relation to financial reporting risks.	16	Yes
7.4	Provide the information indicated in the guide to Reporting Principle 7.	15,16	Yes
8	Remunerate fairly and responsibly		
8.1	The Board should establish a remuneration committee.	9,21	Yes
8.2	The remuneration committee should be structured so that it consists of a majority of independent Directors, is chaired by an independent chair and has at least three members.	9	Yes
8.3	Clearly distinguish the structure of Non-Executive Director's remuneration from that of Executive Directors and senior management.	21	Yes
8.4	Provide the information indicated in the guide to Reporting on Principle 8.	8,9,21,22	Yes

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income For the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Revenue and other income			
Revenue	4	6,972	4,812
Fair value gain/(loss) on financial assets through profit and loss		41,363	(11,810)
Other income	4	919	—
		49,254	(6,998)
Less:			
Management fees		(468)	(2,175)
Employee benefits expense		(2,607)	—
Depreciation and amortisation expense	12	(16)	—
Impairment of goodwill	13	(396)	—
Impairment loss on associate		—	(1,074)
Other administration expenses		(3,693)	(2,561)
		(7,180)	(5,810)
Add:			
Share of net profits/(losses) of associates accounted for using the equity method		(443)	106
Profit/(loss) before income tax		41,631	(12,702)
Income tax benefit/(expense)	5	(9,101)	121
Net profit/(loss) from continuing operations		32,530	(12,581)
Profit/(loss) for the year		32,530	(12,581)
Total comprehensive income for the year		32,530	(12,581)
Profit/(loss) and total comprehensive income attributable to:			
Members of the parent		32,530	(12,593)
Non-controlling interest		—	12
		32,530	(12,281)
Earnings per share for comprehensive income to the equity holders of the parent entity:			
Basic earnings per share	23	21.0	(8.5)
Diluted earnings per share	23	21.0	(8.5)

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position As at 30 June 2014

	Notes	2014 $'000	2013 $'000
ASSETS			
Cash and cash equivalents	7	6,023	12,451
Receivables	8	2,354	2,478
Investments at fair value	9	175,683	136,438
Property, plant and equipment	12	46	—
Goodwill	13	9,455	—
Equity accounted investments	10	–	5,150
TOTAL ASSETS		193,561	156,517
LIABILITIES			
Payables	14	563	1,163
Provisions	15	650	—
Deferred tax liability	5	11,040	1,939
TOTAL LIABILITIES		12,253	3,102
NET ASSETS		181,308	153,415
EQUITY			
Contributed capital	16	189,821	182,180
Reserves	17 (a,b)	37,612	4,073
Accumulated losses	17 (c)	(46,125)	(32,838)
TOTAL EQUITY			
Equity attributable to owners of Contango MicroCap Ltd		**181,308**	**153,415**

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity For the year ended 30 June 2014

CONSOLIDATED ENTITY	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Non-controlling Interest $'000	Total Equity $'000
Balance as at 30 June 2012	180,121	180	(3,247)	4,289	181,343
Profit/(Loss) for the year	—	—	(12,593)	12	(12,581)
Total comprehensive income for the year	—	—	(12,593)	12	(12,581)
Transactions with owners in their capacity as owners:					
Transfer to/(from) dividend reserve	—	16,998	(16,998)	—	—
Transactions with non-controlling interest	—	(441)	—	(4,301)	(4,742)
Options exercised	2	—	—	—	2
Dividend reinvestment	2,057	—	—	—	2,057
Dividends paid	—	(12,664)	—	—	(12,664)
	2,059	3,893	(16,998)	(4,289)	(15,347)
Balance as at 30 June 2013	182,180	4,073	(32,838)	—	153,415
Profit/(Loss) for the year	—	—	32,530	—	32,530
Total comprehensive income for the year	—	—	32,530	—	32,530
Transactions with owners in their capacity as owners:					
Transfer to/(from) dividend reserve	—	45,817	(45,817)	—	—
Acquisitions settled by share issue	5,430	—	—	—	5,430
Options exercised	6	—	—	—	6
Dividend reinvestment	2,205	—	—	—	2,205
Dividends paid	—	(12,278)	—	—	(12,278)
	7,641	33,539	(45,817)	—	(4,637)
Balance as at 30 June 2014	189,821	37,612	(46,125)	—	181,308

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows For the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(7,835)	(4,751)
Management fees		2,854	—
Sale of investments		95,149	151,965
Payment for investments		(92,840)	(137,318)
Dividends received		4,813	4,340
Interest received		167	416
Income tax refund		529	147
Net cash provided by operating activities	19(a)	2,837	14,799
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries net of cash acquired		(4,628)	(4,340)
Net cash provided by investing activities		(4,628)	(4,340)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from shares issued	16(b)	7,641	2,059
Dividends paid	17(b)	(12,278)	(12,664)
Net cash used in financing activities		(4,637)	(10,605)
Net increase / (decrease) in cash and cash equivalents		(6,428)	(146)
Cash and cash equivalents at beginning of year	19(b)	12,451	12,597
Cash and cash equivalents at end of the year	19(b)	6,023	12,451

The above statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Table of Contents

NOTE 1:	STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	30
NOTE 2:	CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	34
NOTE 3:	FINANCIAL RISK MANAGEMENT	35
NOTE 4:	REVENUE	38
NOTE 5:	INCOME TAX	38
NOTE 6:	DIVIDENDS	39
NOTE 7:	CASH AND CASH EQUIVALENTS	39
NOTE 8:	RECEIVABLES	39
NOTE 9:	INVESTMENTS	39
NOTE 10:	EQUITY ACCOUNTED INVESTMENTS	39
NOTE 11:	INTERESTS IN ASSOCIATES	40
NOTE 12:	PROPERTY, PLANT & EQUIPMENT	40
NOTE 13:	INTANGIBLE ASSETS	40
NOTE 14:	PAYABLES	41
NOTE 15:	PROVISIONS	41
NOTE 16:	CONTRIBUTED CAPITAL	41
NOTE 17:	RESERVES AND RETAINED EARNINGS	42
NOTE 18:	INTERESTS IN SUBSIDIARIES	42
NOTE 19:	CASH FLOW INFORMATION	43
NOTE 20:	BUSINESS COMBINATIONS	43
NOTE 21:	COMMITMENTS	45
NOTE 22:	CONTINGENCIES	45
NOTE 23:	EARNINGS PER SHARE	46
NOTE 24:	DIRECTORS & EXECUTIVES COMPENSATION	46
NOTE 25:	AUDITOR'S REMUNERATION	46
NOTE 26:	RELATED PARTY DISCLOSURES	46
NOTE 27:	PARENT ENTITY INFORMATION	47
NOTE 28:	SEGMENT INFORMATION	47
NOTE 29:	SUBSEQUENT EVENTS	48
NOTE 30:	DEED OF CROSS GUARANTEE	49

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the Company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Contango MicroCap Limited, Contango Capital Partners Pty Ltd, Contango Group Pty Ltd, Contango Asset Management Limited, Bellwether Partners Limited and Contango Group Services Pty Ltd as a Company. The Company is limited by shares, incorporated and domiciled in Australia. The Company is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the directors on 28 August 2014.

Compliance with IFRS

The consolidated financial statements of Contango MicroCap Limited also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

The Statement of Financial Position has been presented in order of liquidity.

Critical accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(b) Accounting for profits and losses

At the conclusion of each month, the Company records profits earned during the month to Retained Earnings and losses incurred during the month to Accumulated Losses with the intention of transferring undistributed Retained Earnings to Reserves for the purpose of future dividend payments.

Please refer to Note 17(b).

(c) Going concern

The financial report has been prepared on a going concern basis.

(d) Principles of consolidation

The consolidated financial statements are those of the Company, comprising the financial statements of the parent entity and of all entities, which the parent has the power to control the financial and operating policies so as to obtain benefits from its activities.

The financial statements of the controlled entity are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Results of the controlled entity are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

Non-controlling interests in the results of controlled entity are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

(e) Revenue

Revenue from the sale of investments is recognised when the significant risks and rewards of ownership of the investments have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method.

Management fee revenue is recognised upon delivery of the service to the customer.

All revenue is stated net of the amount of goods and services tax (GST).

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(g) Property, plant and equipment

All classes of property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

Depreciation

The depreciable amounts of all fixed assets are calculated using the diminishing balance method over their estimated useful lives commencing from the time the asset is held ready for use.

The estimated useful life for plant and equipment for 2014 is 3 years (2013: n/a).

(h) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control. Deferred consideration payable is discounted to present value using the group's incremental borrowing rate.

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer’s previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

If the fair value of the acquirer's interest is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer’s previously held equity interest (in case of step acquisition), the surplus is immediately recognised in the statement of comprehensive income.

Acquisition related costs are expensed as incurred.

(i) Intangibles

Goodwill

Goodwill is initially measured at the excess over the aggregate of the consideration transferred, the fair value (or proportionate share of net assets value) of the non-controlling interest, and the acquisition date fair value of the acquirer’s previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

Notes to the Financial Statements (continued)

(j) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

In accordance with taxation legislation all wholly owned subsidiaries acquired during the year joined the tax-consolidated group on their respective acquisition dates.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax balances

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

The parent entity and its subsidiary have implemented the tax consolidation legislation and have formed a tax-consolidated group from 29 March 2013. Entities acquired during the year were added to the tax consolidation group on the date that the Company gained 100% ownership of them.

The ability for the parent entity to utilise tax losses in the future will be limited due to the application of the available fraction rules, calculated in line with applicable taxation legislation.

(k) Provision

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an out flow of economic benefits will result and that outflow can be reliably measured.

(l) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, accumulated sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

The provision for employee benefits in respect of long service leave and annual leave which, are not expected to be settled within twelve months of the reporting date, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

The consolidated entity operates share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is measured at the market bid price at grant date. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

(iv) Bonus plan

The consolidated entity recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

(v) Termination benefits

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The consolidated entity recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

(m) Investments in Associates

An associated entity is an entity over which the consolidated entity is able to exercise significant influence.

The consolidated entity's interests in associates are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits or losses of the associate is recognised in profit or loss and the share of other comprehensive income items is recognised in other comprehensive income. Details relating to associates are set out in Note 11.

Unrealised gains and losses on transactions between the consolidated entity and an associate are eliminated to the extent of the entity's share in an associate.

(n) Adoption of new and amended accounting standards first operative at 30 June 2014

(a) AASB 10: Consolidated Financial Statements

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated entity concluded that the adoption of AASB 10 did not change the consolidation status of its subsidiaries. Therefore, no adjustments to any of the carrying amounts were required.

(b) AASB 12: Disclosure of Interests in Other Entities

AASB 12 sets new minimum disclosure requirements for interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Disclosures required under AASB 12 are provided in Note 11: Interests in Associates and Note 18: Interests in subsidiaries.

(c) AASB 13: Fair Value Measurement

AASB 13 introduces a fair value framework for all fair value measurements as well as the enhanced disclosure requirements. Application of AASB 13 does not materially change the company's fair value measurements.

(d) AASB 119: Employee Benefits

The amendments to AASB 119 revise the definitions of short term and long term employee benefits, placing the emphasis on when the benefit is expected to be settled rather than when it is due to be settled. The group has assessed its impact and concludes that the adoption of AASB 119 has no material effect on the amounts recognised in current or prior years.

No other new and amended accounting standards effective for the financial year beginning 1 July 2013 affected any amounts recorded in the current or prior year.

(o) Accounting standards and interpretations Issued but not Operative at 30 June 2014

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

Notes to the Financial Statements (continued)

(o) Accounting standards and interpretations Issued but not Operative at 30 June 2014 (continued)

AASB 9 Financial Instruments improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. When adopted, the standard could change the classification and measurement of financial assets. The consolidated entity will continue to classify financial assets as investments at fair value through profit and loss and accordingly does not anticipate any change to financial asset classification as a result of the implementation of this new standard.

Most of the requirements for financial liabilities were carried forward unchanged. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The consolidated entity does not have any financial liabilities that are designated at fair value through profit or loss. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. Therefore, there will be no impact on the consolidated entity's accounting for financial liabilities.

In December 2013, new general hedge accounting requirements were incorporated into AASB 9. The new model aligns hedge accounting more closely with risk management, and will be easier to apply and reduce the costs of implementation. However, the new model requires extended disclosure. The standard is not applicable until 1 January 2017 but is available for early adoption. The consolidated entity has yet to assess the impact of new general hedge accounting model on its hedge arrangements. The consolidated entity has decided not to early adopt AASB 9 at 30 June 2014.

(p) Financial instruments

Financial Assets at Fair Value Through Profit or Loss

Investments in listed securities are carried at fair value through profit and loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit and loss of the current period. Fair value of listed investments are based on closing bid prices at the reporting date.

Non-listed investments for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Financial Liabilities

Financial liabilities include trade payables, other creditors and amounts due to Director-related entities.

(q) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(s) Rounding of amounts

The parent entity and the Company have applied the relief available under ASIC Class Order CO 98/0100 and accordingly, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Income tax

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(b) Fair value measurements

Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Refer to Note 3 for the details of the fair value measure key assumptions and inputs.

(c) Impairment of goodwill

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations.

Bellwether Partners Limited ("BPL")

An impairment review of the BPL goodwill led to the goodwill of BPL being fully impaired.

Contango Asset Management Limited ("CAML")

For CAML these calculations are based on projected cash flows approved by management covering a period of 1 year (maximum of five years). Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using an average growth rate of 8.3% (2013: not applicable) for cash flows in year two to five and which is based on the historical average and a terminal value growth rate of 8.3% (2013: not applicable) a discount rate of 12.8% (2013: not applicable) to determine value-in-use.

NOTE 3: FINANCIAL RISK MANAGEMENT

(a) Objectives, strategies, policies and processes

The Company's activities may expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk, liquidity risk and risk relating to fair value.

The Company's overall risk management program focuses on ensuring compliance with the Company's Prospectus and seeks to maximise the returns derived for the level of risk to which the Company is exposed. Financial risk management is carried out by an Investment Manager under policies approved by the Board of Directors of the Company ('the Board').

The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, price risks, and ratings analysis for credit risk.

As part of its risk management strategy, the Company uses derivatives and other investments, including share price and warrants, to manage exposures resulting from changes in interest rates, equity price risks, and exposures arising from forecast transactions.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: price risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The sensitivity of the Company's equity and profit/(loss) before income tax to price risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Company's investments with the relevant benchmarks and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Company invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

Notes to the Financial Statements (continued)

Once management determines that an investment may be affected by a reasonably possible movement, the effect of this movement on the Company's equity and profit/(loss) is monitored.

(i) Price risk

Equity price risk is the risk that the fair value of equities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Equity price risk exposure arises from the Company's investment portfolio. The investments are classified on the balance sheet as at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited. At 30 June 2014, the Company had no short sold positions (2013: nil).

Derivatives are traded sparingly and used to provide short-term exposure to the general equity market.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The Company's overall market positions are monitored on a daily basis by the Company's Investment Manager and are reviewed on a quarterly basis by the Board of Directors.

The Company's net assets include investments in debt and equity securities and related derivatives. At 30 June, the overall market exposures were as follows:

	2014 $'000	2013 $'000
Securities designated at fair value through profit or loss	175,683	136,438
	175,683	**136,438**

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company has established limits on investments in interest bearing assets, which are monitored on a daily basis. The Company may use derivatives to hedge against unexpected increases in interest rates. No such investments were held at 30 June 2014 (2013: nil).

The interest rate risk is measured using sensitivity analysis.

In accordance with the Company's policy, the Company monitors the Company's overall interest sensitivity on a daily basis, and the Board of Directors reviews it on a quarterly basis. Compliance with the Company's policy is reported to the Board on a monthly basis.

At 30 June 2014, cash and cash equivalents to the value of $6,023,237 (2013: $12,451,460) are the only financial instrument subject to interest rate risk. The weighted average interest rate applicable for the year was 2.8% (2013: 2.9%).

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values. At 30 June 2014 the Company had exposure to 24 ASX Share Price Index futures contracts with an exposed value of $3,212,400 (2013: $4,292,000).

The investment manager manages credit risk by diversifying the exposure among counter parties and operating in liquid markets. The Company does not have any significant concentration of credit risk on an industry basis. Deposits are held with AAA rated institutions.

With respect to credit risk arising from the financial assets of the Company, other than derivatives, the Company's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Company holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

(d) Liquidity risk

Liquidity risk is the risk that a Company will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Company's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Company maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Company may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Company may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. No such investments were held at the Statement of Financial Position date.

In accordance with the Company's policy, the Investment Manager monitors the Company's liquidity position on a daily basis, and the Board reviews it on a quarterly basis.

The Company has arranged a margin lending facility up to a value of $40m secured against the investments of the Company. During the year ended 30 June 2014 none of this facility had been utilised (2013: Nil).

Maturity analysis for financial liabilities

The table below analyses the Company's financial liabilities, excluding gross settled derivative financial liabilities, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month	1- 3 months	3- 12 months	12-60 months
At 30 June 2014	$'000	$'000	$'000	$'000
Payables	563	—	—	—
Total financial liabilities	563	—	—	—
At 30 June 2013				
Payables	1,163	—	—	—
Total financial liabilities	1,163	—	—	—

(e) Fair values of financial assets and financial liabilities

The carrying amounts of the Company's financial assets and financial liabilities in the Statement of Financial Position are all at fair value.

For the years ended 30 June 2014 and 30 June 2013, the Company did not have any financial assets and financial liabilities that were determined using valuation techniques. The fair values of the Company's financial assets and liabilities for the years then ended were determined directly, in full, by reference to quoted prices from the Australian Securities Exchange. The investment in associate, however, was accounted for by application of the equity principles explained in Note 1(j). Financial asset and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data

The Company held $175,683,000 (2013: $136,438,000) Level 1 and 0 (2013: nil) Level 2 Financial Assets and Liabilities as at 30 June 2014

(f) Sensitivity

A 10% change (increase or decrease) in the market price across all shares held within the Company's investment portfolio would deliver a corresponding change to the profit after tax of the consolidated entity of $12.3m.

Notes to the Financial Statements (continued)

NOTE 4: REVENUE

	2014 $'000	2013 $'000
Revenue comprises		
Dividends	4,870	4,396
Interest	140	416
Management fees from external clients for funds management services	1,962	—
	6,972	4,812
Other income comprises		
Revaluation on stepped acquisition of subsidiary	871	—
Other income	48	—
	919	—

NOTE 5: INCOME TAX

(a) Components of tax expense:		
Current tax	—	—
Deferred tax	9,101	(121)
	9,101	(121)
(b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Profit/(loss) before tax from continuing operations	41,631	(12,702)
Total profit/loss before income tax	41,631	(12,702)
Prima facie income tax payable on profit before income tax at 30% (2013: 30%)	12,489	(3,811)
Less tax effect of:		
- dividend income	(20)	(1,096)
- S40.880 deductions	(25)	163
- tax losses not brought to account in controlled entity	(3,343)	4,623
Income tax expense/(benefit) attributable to profit	9,101	(121)
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Tax losses carried forward	2,983	8,176
Accruals	246	16
	3,229	8,192
Deferred tax liabilities		
The balance comprises:		
Financial assets at fair value through profit and loss	(14,181)	(10,108)
Income assessable in the future	(88)	(23)
	(14,269)	(10,131)
Net deferred tax liability	(11,040)	(1,939)
(c) Deferred income tax expense/(benefit) included in income tax expense comprises		
Increase/(decrease) in deferred tax assets	4,963	(372)
Increase/(decrease) in deferred tax liabilities	4,138	251
	9,101	(121)
(d) Deferred tax asset of controlled entity not brought to account		
Revenue tax losses	16,818	14,549

NOTE 6: DIVIDENDS

	2014 $'000	2013 $'000
(a) Dividends paid or declared		
Current tax		
Interim dividend paid for current financial year at $0.04 per share 25% franked at 30% tax rate (2013: $0.038 per share 20% franked at 30% tax rate)	6,020	6,977
Final dividend paid for previous financial year at $0.04 per share 50% franked (2013: $0.047 per share unfranked)	6,258	5,687
	12,278	12,664

The final dividend for the year ended 30 June 2014 has been declared at $0.046 per share and will be paid on 30 September 2014. The total amount payable in respect of this dividend will be $7,251,394. This dividend is 50% franked at the 30% tax rate.

(b) Franking account		
Balance of franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables and franking debits arising from payment of proposed dividends.	1,589	3,660

NOTE 7: CASH AND CASH EQUIVALENTS

Cash at bank and on deposit	6,023	12,451
	6,023	12,451

NOTE 8: RECEIVABLES

Trade receivables	706	1,849
Other receivables	1,648	629
	2,354	2,478

NOTE 9: INVESTMENTS

Financial assets at fair value through profit and loss		
Shares in listed entities	175,683	136,438
Investments at fair value through profit and loss	175,683	136,438

NOTE 10: EQUITY ACCOUNTED INVESTMENTS

Non Current		
Equity accounted associated entities	—	5,150
	—	5,150

Notes to the Financial Statements (continued)

NOTE 11: INTERESTS IN ASSOCIATES

On 30 November 2013, the Company acquired the 50.004% that it that did not already own in Contango Group Pty Ltd (refer note 20 – Business Combinations for further explanation of this transaction). The result of the transaction has meant that the Company has moved from having significant influence over Contango Group Pty Ltd, where the investment was disclosed as an Investment in Associate, to now having control over Contango Group Pty Ltd and therefore consolidating its 100% investment in this subsidiary (refer note 18 – Interests in Subsidiaries).

		Ownership Interest		Fair Value	
		2014	213	2014	2013
Associate	Equity Interest	%	%	%	%
Contango Group Pty Ltd	Ordinary Shares	—	49.996	—	5,150

Prior to 30 November 2013 the 49.996% holding was recorded as an Associate and accounted for using the Equity method in the consolidated entity (refer Note 10 – Equity Accounted Investments).

NOTE 12: PROPERTY, PLANT & EQUIPMENT

	2014	2013
Plant & Equipment	$'000	$'000
At cost	266	—
Accumulated depreciation	(220)	—
	46	—

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year:

Plant & Equipment		
Carrying amount at beginning of year	—	—
Additions through acquisition of subsidiaries	62	—
Depreciation expense	(16)	—
Carrying amount end of year	46	—

NOTE 13: INTANGIBLE ASSETS

Goodwill		
At cost	9,851	—
Accumulated impairment loss	(396)	—
	9,455	—
Reconciliation		
Carrying amount at beginning of year	—	—
Additions through business combination	9,851	—
Impairment charge	(396)	—
Carrying amount end of year	9,455	—

Impairment charge for the year has been recognised against the acquisition of Bellwether Partners Limited as the excess of the acquisition price over the fair value of assets acquired.

NOTE 14: PAYABLES

	2014 $'000	2013 $'000
Trade payables	260	1,018
Other payables	303	145
	563	1,163

NOTE 15: PROVISIONS

Employee entitlements	468	—
Earn-out payments	182	—
	650	—

NOTE 16: CONTRIBUTED CAPITAL

(a) Issued and paid up capital

Ordinary shares fully paid	157,683,993	150,502,289

Fully paid ordinary shares carry one vote per share and the right to dividends.

(b) Movements in shares on issue

	Parent Equity 2014		Parent Equity 2013	
	No of Shares	$'000	No of Shares	$'000
Beginning of the financial year	150,502,289	182,180	148,448,269	180,121
Issued during the year	4,909,811	5,430	—	—
Shares issued acquiring subsidiaries				
– Dividend reinvestment scheme	2,222,311	2,205	2,052,269	2,057
– Shares issued from options exercise	4,582	6	1,751	2
End of the financial year	157,638,993	189,821	150,502,289	182,180

(c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share gives entitlement to one vote when a poll is called.

(d) Share Options

There are 557,052 options on issue expiring on 30 November 2016 and exercisable into ordinary shares at $1.106 per option (2013: 49,757,621 exercisable by 28 February 2014 at 1.20 each).

(e) Capital Management

The Company's capital is invested to:

- achieve of a long term real rate of return for investors over and above the return of the S&P/ASX All Ordinaries Accumulation Index;
- deliver the regular payment of dividends; and
- preserve the capital base of the Company.

The Directors have the additional discretion to undertake capital management initiatives such as on-market share buy-back of shares to assist with these investment objectives.

Notes to the Financial Statements (continued)

NOTE 17: RESERVES AND RETAINED EARNINGS

	Notes	2014 $'000	2013 $'000
Transactions with non-controlling interest reserve	17(a)	—	(261)
Dividend reserve	17(b)	37,612	4,334
		37,612	4,073
Retained earnings/(Accumulated losses)	17(c)	(46,125)	(32,838)

(a) Transactions with non-controlling interest reserve

(i) Nature and purpose of reserve

The reserve was created upon acquisition of the controlled entity by the parent entity to record transactions with non-controlling interests.

(ii) Movements in reserve

Balance at beginning of year	(261)	180
Transfers	261	(441)
Balance at end of year	—	(261)

(b) Dividend reserve

(i) Nature and purpose of reserve

Monthly profits and losses are transferred to accumulated losses. Profits are subsequently transferred to the dividend reserve to facilitate dividend payments in accordance with Australian taxation requirements for dividend payments to be sourced from profits.

(ii) Movements in reserve

Balance at the beginning of year	4,334	—
Transfer from retained earnings/(accumulated losses)	45,556	16,998
Total available for appropriation	49,890	16,998
Dividends paid	(12,278)	(12,664)
Balance at end of year	37,612	4,334

(c) Accumulated losses

Balance at the beginning of year	(32,838)	(3,247)
Profits/(Losses) attributable to members of Contango MicroCap Limited	32,530	(12,593)
Transfers to dividend reserve	(45,556)	(16,998)
Transfer to transactions with non-controlling interest reserve	(261)	—
Balance at end of year	(46,125)	(32,838)

NOTE 18: INTERESTS IN SUBSIDIARIES

Subsidiaries of the Group	Country of Incorporation	Ownership interest held by the group 2014 %	2013 %
Contango Capital Partners Pty Ltd	Australia	100	100
Contango Group Pty Ltd	Australia	100	49.996
Bellwether Partners Limited	Australia	100	—
Contango Asset Management Limited	Australia	100	—
Contango Group Services Pty Ltd	Australia	100	—

NOTE 19: CASH FLOW INFORMATION

	2014 $'000	2013 $'000
(a) Reconciliation of cash flow from operations with profit after income tax		
Loss from ordinary activities after income tax	32,530	(12,581)
Non Cash Items		
Unrealised losses/(gains) on financial assets at fair value through profit or loss	(39,054)	27,600
Equity accounted for loss/(profit) after tax	443	(106)
Unrealised gain on revaluation of acquired subsidiary	(871)	—
Impairment loss	396	1,074
Depreciation and asset write-down	16	—
Changes in assets and liabilities		
Decrease/(increase) in trade receivables	941	(1,186)
Increase/(decrease) in trade and other creditors	(1,179)	(28)
Decrease in income tax refund receivable	368	147
Decrease in provisions	(15)	—
Increase/(decrease) in deferred income tax liability	9,262	(121)
Net cash flow from operating activities	2,837	14,799

(b) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:

Cash at bank and on deposit	6,023	12,451
Closing cash balance	6,023	12,451

NOTE 20: BUSINESS COMBINATIONS

Current period - Bellwether Partners Limited

On 30 October 2013, the consolidated entity diversified its exposure to funds management by acquiring 100% of the boutique funds management firm, Bellwether Partners Limited for consideration of $100,000 in cash.

Details of the transaction were:	$'000
Initial consideration	100
Contingent earn-out (refer Note 22)	202
Total consideration	302

Assets and liabilities acquired	Recognised on acquisition at fair value $'000
– Cash	2
– Trade receivables	65
– Other assets	22
– Trade and other creditors	(110)
– Provisions	(73)
Net identifiable liabilities acquired	(94)
Goodwill	396

Goodwill is not deductible for tax purposes.

Notes to the Financial Statements (continued)

NOTE 20: BUSINESS COMBINATIONS (continued)

	30 June 2014 $'000	30 June 2013 $'000
Purchase consideration – cash outflow		
Consideration paid, net of cash acquired*	100	—
Less: Cash balances acquired		
Cash	2	—
Bank Overdraft	—	—
Net cash balance acquired	2	—
Outflow of cash – investing activities	98	—

*Consideration paid of $302,000 includes $202,000 provision for earn-out, refer Note 22 – Contingencies (i).

Contractual amounts

The fair value of trade receivables equals the contractual amounts due.

Contribution since acquisition

Since the acquisition date Bellwether Partners Limited has contributed revenue of $381,919 and a loss after tax of $336,081 which is included within the consolidated profit. Had the combination occurred from the beginning of the year, the revenue contributed to the consolidated entity would have been $607,541 and the operating loss after tax would have been $482,442.

Current period - Contango Group Pty Ltd

At the Company's Annual General Meeting, shareholders approved the acquisition of the 50.004% of Contango Group Pty Ltd that it did not already own. The acquisition was completed on 30 November 2013, for net consideration of $5,430,251 which was funded through the issue of 4,909,811 ordinary shares in the Company.

Contango Group Pty Ltd is the parent company of the Company's investment manager, Contango Asset Management Limited.

Details of the transaction were:

	$'000
Shares issued as consideration	5,430
Total consideration#	5,430

Consideration includes contingent consideration with a fair value at acquisition of nil. A contingent liability has been disclosed at Note 22.

4,909,811 shares were issued as part of the consideration. The issue price of $1.106 was based on the volume weighted average price during the month of August 2013 as described within the Annual General Meeting explanatory memorandum.

Assets and liabilities acquired as a result of the business combination were:

Assets and liabilities acquired	Recognised on acquisition at fair value $'000
– Cash	935
– Trade receivables	1,223
– Other assets	350
– Trade and other creditors	(77)
– Provisions	(411)
Net identifiable assets acquired	2,020
Goodwill	9,455

The goodwill on acquisition arises as a result of the consideration being above the value of assets acquired. This consideration was determined to be fair and reasonable by an independent expert as outlined within the Explanatory Memorandum provided to shareholders prior to the Company's Annual General Meeting and was approved by shareholders at that meeting on 20 November 2013.

Goodwill is not deductible for tax purposes.

The Company owned 49.996% of Contango Group Pty Ltd which it acquired on 28 June 2013 for $5,150,000. Upon acquiring the 50.004% balance of Contango Group Pty Ltd on 30 November 2013, a gain of $871,000 has been recognised as a result of remeasuring the previously held 49.996% equity interest.

Purchase consideration – cash outflow	30 June 2014 $'000	30 June 2013 $'000
Consideration paid, net of cash acquired	5,430	—
Less: Cash balances acquired		
Cash	935	—
Net cash balance acquired	935	—
Outflow of cash – investing activities	4,495	—

Contribution since acquisition

Since acquisition, Contango Group Pty Ltd has contributed revenue of $3,699,196 and a profit after tax of $353,500 (before elimination on consolidation of fees from the parent company for management of that company's microcap portfolio). Had the combination occurred from the start of that year, the contributed revenue would have been $5,911,178 and the contributed profit $391,623 (on the same basis).

Prior period

On 28 March 2013, the parent entity acquired 100% of the share capital of Contango Capital Partners Limited. Details of this business combination were disclosed in note 15 of the consolidated entity's annual financial statements for the year ended 30 June 2013.

NOTE 21: COMMITMENTS

The Company regularly commits to underwriting activities in respect of public share issues. At 30 June 2014 the potential financial amount that the Company may be liable for is $0 (2013: $0).

The Company has non-cancellable operating leases contracted for but not capitalised in respect of its premises:

Payable	30 June 2014	30 June 2013
Not later than one year	175	—
Later than 1 year but not later than five years	700	—
Later than five years	58	—
	933	—

NOTE 22: CONTINGENCIES

As at 30 June 2014, the consolidated entity had the following contingent liabilities resulting from acquisition earn-out arrangements. Acquisition earn-outs:

i. Under the terms of the sale agreement between Contango MicroCap Limited and the vendors of Bellwether Partners Limited that was acquired on 30 October 2013, an amount equal to 3 basis points per annum (0.03%) of the value of funds managed by Bellwether Partners Limited retained since acquisition plus 6 basis points per annum (0.06%) on any new funds acquired by Bellwether Partners Limited is payable to the vendors. Based on current valuations, this amounts to approximately $202,000 over the remaining term of the agreement.

ii. Under the terms of the sale agreement between Contango MicroCap Limited and the vendors of the 50.004% of Contango Group Pty Ltd that was acquired on 30 November 2013, an amount equal to 75% of the net fee revenue from growth in new funds managed by Contango Asset Management Limited between 1 December 2013 and 30 November 2016 is payable to those vendors. As at 30 June 2014, there had been no new growth that gave rise to any liability under this arrangement. An accurate value of this liability is not possible at this early stage of the arrangement.

Notes to the Financial Statements (continued)

NOTE 23: EARNINGS PER SHARE

	2014 $'000	2013 $'000
Reconciliation of earnings used in calculating earnings per share:		
Profit from continuing operations	32,530	(12,581)
Profit used in calculating basic earnings per share	32,530	(12,581)
Earnings used in calculating diluted earnings per share	32,530	(12,581)

	2014 No of Shares	2013 No of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	154,467,291	148,853,853
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	154,467,291	148,853,853

NOTE 24: DIRECTORS & EXECUTIVES COMPENSATION

	2014 $'000	2013 $'000
Compensation by category		
Short-term employment benefits	822	276
Post-employment benefits	56	14
Termination benefits	—	—
Other long-term benefits	—	—
Share-based payments	—	—
	878	290

NOTE 25: AUDITOR'S REMUNERATION

Amounts paid and payable to Pitcher Partners for:

Audit and other assurance services		
Audit and review of financial reports	65	65
Total remuneration for audit and other assurance services	65	65
Other non-audit services		
Taxation services	29	—
Total remuneration for non-audit services	29	—
Total remuneration of Pitcher Partners	94	65

NOTE 26: RELATED PARTY DISCLOSURES

During the year, as part of its normal payment of dividends the Company made payments to related parties that held shares in Contango MicroCap Limited (CTN). The amount of $104,298 was paid to David Stevens and $25,758 to Glenn Fowles who are both directors of CTN.

For their participation in the Company's acquisition of 50.004% of Contango Group Pty Ltd under the terms of the share sale agreement approved by shareholders at the Company's AGM on 20 November 2013, Mr Stevens received 2,340,128 shares and Mr Fowles received 532,250 shares and 180,289 options in the Company.

NOTE 27: PARENT ENTITY INFORMATION

Summarised presentation of the parent entity, Contango MicroCap Limited, financial statements:

(a) Summarised statement of financial position	2014 $'000	2013 $'000
Assets	161,806	161,705
Liabilities	14,772	2,870
Net assets	147,034	158,835
Equity	147,034	158,835

(b) Summarised statement of comprehensive income		
Profit/(loss) for the year	(1,744)	(7,435)
Other comprehensive income for the year	—	—
Total comprehensive income/(loss) for the year	(1,744)	(7,435)

(c) Parent entity guarantees, contingencies, and contractual commitments

The contingencies outlined in Note 21 and 22 relate to the parent entity except where otherwise stated (2013: nil).

NOTE 28: SEGMENT INFORMATION

(a) Description of segments

The consolidated entity has 2 reportable segments as described below:

- Microcap investment portfolio – this segment represents the contribution of the investment portfolio of listed stocks from the microcap sector of the Australian share market which is managed by Contango Asset Management Limited – a wholly owned subsidiary of the Company. Direct costs of these activities are borne directly by the investment portfolio with a management fee charged by Contango Asset Management Limited. This fee is eliminated on consolidation.
- Funds management activities – this segment covers the management of investment portfolios for wholesale clients. This includes clients external to the Company as well as the microcap portfolio described above. All staff costs incurred within the consolidated entity are incurred within this segment.

Notes to the Financial Statements (continued)

(b) Segment Information	MicroCap Investment Portfolio	Funds Management Activities	Total
30 June 2014	$'000	$'000	$'000
Segment revenue			
Total segment revenue	45,638	4,082	49,720
Inter-segment revenue	—	(1,337)	(1,337)
Segment revenue from external source	45,638	2,745	48,383
Unallocated revenue			871
Segment result			
Total segment result	32,095	7	32,102
Unallocated result	—	—	428
Total result	31,652	7	32,530
Total segment assets	190,914	2,647	193,561
Total segment liabilities	12,000	253	12,253
30 June 2013			
Segment revenue			
Total segment revenue	(6,988)	—	(6,988)
Inter-segment revenue	—	—	-
Segment revenue from external source	(6,988)	—	(6,988)
Segment result			
Total segment result	(12,581)	—	(12,581)
Segment result from external source	(12,581)	—	(12,581)
Total segment assets	156,517	—	156,517
Total segment liabilities	3,102	—	3,102

NOTE 29: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 30 June 2014 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2014, of the Company, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to 30 June 2014, of the Company.

NOTE 30: DEED OF CROSS GUARANTEE

The following companies are parties to a deed of cross guarantee under which each company guarantees the debts of the others:

- Contango MicroCap Limited (Holding Entity and Trustee)
- Contango Asset Management Limited (Alternative Trustee)
- Contango Capital Partners Pty Ltd (Group Entity)

Pursuant to ASIC Class Order 98/1418 (as amended), the Group Entity is relieved from the Corporations Act requirement to prepare a financial report and director's report.

The Deed of Cross Guarantee was put in place on 21 May 2014, as such no comparative information has been included below in the financials for the closed group.

A consolidated statement of comprehensive income and a consolidated statement of financial position for the year ended 30 June 2014, comprising the above parties to the deed which represent the "closed group" are set out below:

(a) Consolidated Statement of Comprehensive Income of the closed group	**2014 $'000**
Revenue and other income	
Revenue	5,010
Fair value gain/(loss) on financial assets through profit and loss	40,897
Other income	2,500
	48,407
Less:	
Management fees	(468)
Employee benefits expense	(2,309)
Depreciation and amortisation expense	(16)
Other administration expenses	(3,183)
	(5,976)
Add:	
Share of net losses of associate accounted for using the equity method	(443)
Profit before income tax	41,988
Income tax expense	9,101
Total comprehensive income for the year	32,887
(b) Summary of movements in consolidated accumulated losses of the closed group	
Balance at the beginning of the year	(28,766)
Profit for the year	32,887
Dividend paid	(12,279)
Balance at end of year	(8,158)
(c) Consolidated Statement of Financial Position of the closed group	
ASSETS	
Cash and cash equivalents	5,370
Receivables	2,312
Investments at fair value	175,683
Goodwill	9,455
Subsidiaries	396
Property, plant and equipment	46
Total assets	193,263
LIABILITIES	
Payables	560
Deferred tax liabilities	11,040
Total liabilities	11,600
NET ASSETS	181,663
EQUITY	
Contributed capital	189,821
Accumulated losses	(8,158)
Total equity	181,663

Directors Declaration

The directors declare that the financial statements and notes set out on pages 25 to 49 in accordance with the Corporations Act 2001:

(a) Comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;

(b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of Contango MicroCap Limited as at 30 June 2014 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Contango MicroCap Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2014.

This declaration is made in accordance with a resolution of the directors.

Mark Kerr

Mark Kerr
Director
Melbourne
28 August 2014

PITCHER PARTNERS

CONTANGO MICROCAP LIMITED
ABN: 47 107 617 381
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CONTANGO MICROCAP LIMITED

We have audited the accompanying financial report of Contango Microcap Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001,* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

An independent Victorian Partnership ABN 27 975 255 196
Liability limited by a scheme approved under Professional Standards Legislation

Pitcher Partners is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane| Newcastle
An independent member of Baker Tilly International

PITCHER PARTNERS

CONTANGO MICROCAP LIMITED
ABN: 47 107 617 381
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CONTANGO MICROCAP LIMITED

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Contango Microcap Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 14 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Contango Microcap Limited and controlled entities for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

N R BULL
Partner

28 August 2014

PITCHER PARTNERS
Melbourne

An independent Victorian Partnership ABN 27 975 255 196
Liability limited by a scheme approved under Professional Standards Legislation

Pitcher Partners is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane| Newcastle
An independent member of Baker Tilly International

Company Particulars

The Company was incorporated as a limited liability company in Victoria on 27 November 2003. The Company is a Listed Investment Company with its securities listed only on the Australian Stock Exchange.

Registered office

Level 27
35 Collins Street
Melbourne Victoria 3000
Telephone (03) 9222 2333

Directors

Mark G Kerr (Chairman)
Ian N Ferres
David I Stevens
Glenn Fowles

Company secretary

Glenn Fowles

Auditor

Pitcher Partners
Level 19
15 William Street
Melbourne Victoria 3000

Investment custodian

National Australia Bank Limited
500 Bourke Street
Melbourne VIC 3000

Share registrar

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
Telephone 1300 850 505

Additional Information for Listed Companies

A. SHAREHOLDER DATA

The Company has one class of listed security on issue – ordinary shares, which are quoted on the Australian Securities Exchange Ltd.

(i) Distribution of ordinary shares

Analysis of numbers of equity holders by size of ordinary shareholding as at 31 July 2014:

	Number of holdings	Total shares held	Percentage of total
1 - 1,000	373	154,005	0.10
1,001 - 5,000	885	2,982,162	1.89
5,001 - 10,000	938	7,707,745	4.89
10,000 - 100,000	2,542	81,687,786	51.82
100,000 and over	224	65,107,295	41.30
	4,962	157,638,993	100.00

There were 193 holders of less than a marketable parcel of ordinary shares of $500 at $1.08 per share (13,258 shares)

(ii) Top 20 registered shareholders

The twenty largest holders of the Company's ordinary shares as at 31 July 2014 are listed below:

Rank	Shareholder Name	Holding	%
1	Mr Victor John Plummer	5,125,000	3.25
2	RBC Investor Services Aust Nominees Pty Ltd <Bkcust a/c>	4,352,138	2.76
3	UBS Wealth Management Australia Nominees Pty Ltd	4,049,065	2.57
4	David Ian Stevens	1,623,839	1.03
5	Lonceta Pty Ltd <Hancock Super Fund>	1,569,572	1.00
6	Dr G and Mrs L Havas <Havas Family Superfund>	1,242,199	0.79
7	Navigator Australia Ltd <MLC Investment Sett a/c>	1,127,584	0.72
8	Dr SJ and Mrs SJ Ahern <Triton Superfund>	1,111,215	0.70
9	Lord Mayor's Charitable Fund	865,000	0.55
10	Climax Super Pty Ltd <Climax Superfund>	762,029	0.48
11	GJP Investments Pty Ltd <Langham a/c>	746,191	0.47
12	Mr JVC and Mrs SL Guest <Guest Family Superfund>	682,250	0.43
13	Mr CA Green and Mr D Flowers < Green Flowers Superfund>	672,902	0.43
14	Angus Mac Pty Ltd	641,751	0.41
15	G H Kluge and Sons Ltd	600,000	0.38
16	One Managed Investment Funds ACF Sandon Capital Investments Ltd	560,000	0.36
17	Marielle Pty Ltd <Seekers Superfund>	548,006	0.35
18	National Nominess Limited	527,447	0.33
19	Mr PJ and Mrs W Kennon <Kennon Superfund>	500,000	0.32
20	LIC Investments Pty Ltd <LIC Investments Unit a/c>	500,000	0.32
	TOTAL TOP 20	27,806,188	17.65

(iii) Substantial Shareholders

As at 31 July 2014 there were no substantial shareholders advised to the Company.

B. ON-MARKET BUY BACK

There was no buy-back activity undertaken during the year.

C. INVESTMENTS

As at 30 June 2014, the Company held investments in the following companies:

360 Capital Group
Affinity Education Group Limited
Alara Resources Limited
Amcom Telecommunications Limited
Attila Resources Limited
Austal Limited
Austbrokers Holdings Limited
Australasian Wealth Investments Limited
Automotive Holdings Group Limited
Bellamys Australia Limited
Beadell Resources Limited
Bluenergy Group Limited
BT Investment Management Limited
Buccaneer Energy Limited
Capitol Health Limited
Cassini Resources Limited
Cedar Woods Properties Limited
Chandler Macleod Group Limited
Codan Limited
Contango Absolute Income Fund
Contango Midcap Income Fund
Corporate Travel Management Limited
Countplus Limited
CTI Logistics Limited
Empired Ltd
Enero Group Limited
ERM Power Limited
Freedom Foods Group Limited
G8 Education Limited
GBST Holdings Limited
Gentrack Group Limited
HUB24 Limited
Ibuy Group Limited
Icar Asia Limited
Infomedia Ltd
Ingenia Communities Group
Iproperty Group Limited
Lifehealthcare Group Limited
Lonestar Resources Limited
MACA Limited
MaxiTRANS Industries Limited
Mayne Pharma Group Limited
MBD Energy Limited
Mineral Deposits Limited
Mortgage Choice Limited
Nanosonics Limited
Nearmap Ltd
NIB Holdings Limited
Nido Petroleum Limited
Northern Star Resources Ltd
Oakton Limited
Orocobre Limited
PMP Limited
Prime Media Group Limited
Reckon Limited
Saracen Mineral Holdings Limited
Sfg Australia Limited
SG Fleet Group Limited
Sino Gas & Energy Holdings Limited
Slater & Gordon Limited
Smart Parking Limited
Sundance Energy Australia Limited
Syrah Resources Limited
The Reject Shop Limited
Tiger Resources Limited
Titan Energy Services Limited
Tox Free Solutions Limited
Traffic Technologies Ltd.
Villa World Limited
Village Roadshow Limited
Webjet Limited

D. TRANSACTION DATA

Over the 12 months ended 30 June 2014, the Company executed 720 purchase transactions and 764 sale transactions. The total brokerage paid or accrued during this period was $443,621.

Contango MicroCap Limited

About CTN: CTN is a Listed Investment Company (LIC) whose objectives are to outperform the S&P/ASX All Ordinaries Accumulation Index and provide regular dividends to its shareholders. Since listing in 2004 CTN has declared 75 cents per share in dividends, amounting to payments to shareholders of over $82m.

Investments Held: CTN seeks to hold a diversified portfolio of 60-90 Australian microcap companies listed on the ASX, each with a market cap generally between $10m & $350m at the time of acquisition. There are around 1,000 companies in this universe with a total combined market cap of around $70 billion.

Investment Style: CTN is 'Style Neutral' – switching between defensive and growth securities depending on the stage of the business cycle.

Contact details
Telephone: +61 3 9222 2333
Facsimile: +61 3 9222 2345
Email: contango@contango.com.au
Website: www.contango.com.au

Registered office
Level 27
35 Collins Street
Melbourne Victoria 3000
Telephone (03) 9222 2333

Directors
Mark G Kerr (Chairman)
Ian N Ferres
David I Stevens
Glenn Fowles

Company secretary
Glenn Fowles

Auditor
Pitcher Partners
Level 19
15 William Street
Melbourne Victoria 3000

Country of incorporation
Australia

Investment custodian
National Australia Bank Limited
500 Bourke Street
Melbourne VIC 3000

Share registrar
Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
Telephone 1300 850 505

ASX CODE: CTN

Annual Report 30 JUNE 2014

10 YEARS GROWING STRONG

Contango MicroCap Limited

Contango MicroCap Limited ABN 47 107 617 381