

CONTANGO MICROCAP LIMITED
ABN 47 107 617 381
and controlled entities

PRELIMINARY FINAL REPORT / APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2016

PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

Appendix 4E - Preliminary Final Report

CONTANGO MICROCAP LIMITED (ABN 47 107 617 381) & CONTROLLED ENTITIES (ASX code "CTN")

1. **Reporting period** – for the year ended 30 June 2016, compared with the year ended 30 June 2015
2. **Results for announcement to the market**
 - Revenues from ordinary activities up from \$2.5m to \$30.3m
 - Profit from ordinary activities after tax up from a loss of -\$0.7 m to a profit of \$15.8m
 - Net profit after tax for the period attributable to members up from a loss of -\$0.7m to a profit of \$17.3m
- Dividends paid or payable relating to the current year earnings**
 - Interim dividend for the year ended 30 June 2016 of 2.6 cents per share (50% franked) was paid on 25 March 2016 (\$4,189,732 paid)
 - Final dividend for the year ended 30 June 2016 was declared on 29 August 2016 at 3.7 cents per share – 50% franked, paying on 14 October 2016
3. **Statement of Comprehensive Income** – refer attached financial statements
4. **Statement of Financial Position** - refer attached financial statements
5. **Statement of Cash Flows** - refer attached financial statements
6. **Dividends** – during the financial year ended 30 June 2016, the company paid a total of \$10,108,685 to shareholders as dividend payments. Refer to note 6 of the attached financial statements.
7. **Dividend reinvestment plan** - the Company's DRP provides for a 3% discount to the Volume Weighted Average Price of ordinary shares for the 4 trading days up to and including record date. The last date for receipt of election notices for participation in the DRP is close of business one day after record date.
8. **Statement of Retained Earnings/(Accumulated Losses)** – refer attached financial statements
9. **Net tangible assets per security** – as at 30 June 2016 the NTA was \$1.10 per share (2015: \$1.06).
10. **Control gained or lost over entities during the period**

At the start of the financial year, the Company was the sole shareholder (2 shares) of Contango Income Generator Limited (ASX code: "CIE"). CIE conducted an initial public offer (IPO) during July 2015 issuing 77,451,000 new shares. The Company participated in the IPO, buying 30,000,000 shares. As at 30 June 2016, the Company holds 38.4% of CIE.

On 24th June 2016, the Company signed a contract to sell its fund management operation – Contango Asset Management Limited ("CAM"). For full disclosure of this transaction refer to the attached financial statements under Directors' Report "Review of Operations" and Note 10 "Discontinued Operations".

11. Associates

The Company has no associates or joint venture entities

12. Significant information relating to the entity's financial performance and financial position

- The investments of the Company are primarily listed companies on the ASX and have been subject to market value changes that have occurred over the year. Any profit or loss on the revaluation or disposal of investments is taken directly to profit.
- Over the 12 month period ended 30 June 2016 the investment return obtained from the Company's investment portfolio compared to its relevant ASX benchmarks was

CTN investment portfolio return	+19.4%
ASX All Ordinaries Accumulation Index	+2.0%
S&P/ASX Small Companies Accumulation Index	+14.4%

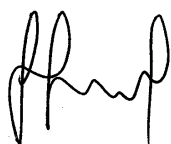
- For the financial year ended 2016, total investment gains were \$24.9m (2015: losses of \$3.7m)
- Securities income and interest earned from investments was \$5.3m for the year (2015: \$6.3m)
- Expenses for the year were \$7.2m (2015: \$6.5m)

13. The financial information provided in this Appendix 4E has been prepared in accordance with Australian accounting standards.

14. Commentary on the results for the period

- For the financial year ended 30 June 2016 the profit after tax was \$17,249,857 (2015: loss of \$734,606).
- The earnings per ordinary share were 10.7cps (2015: -0.5cps).
- 1,184,945 shares were issued under the dividend reinvestment program applicable to the dividend paid on 30 September 2015 at a price of \$0.91 per share.
- 888,815 shares were issued under the dividend reinvestment program applicable to the dividend paid on 25 March 2016 at a price of \$0.88 per share.

15. Audit of the financial report - the financial report has been audited and is subject to final audit sign-off. No material change to the financial report or qualification of audit opinion is expected.



Glenn Fowles (Company Secretary)

Date: 30 August 2016



**Contango MicroCap Limited
and Controlled Entities**

ABN 47 107 617 381

**Financial report for the
Year ended 30 June 2016**

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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 2016 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 provision of funds management services to external clients.

Results

The consolidated profit after income tax attributable to members of Contango MicroCap Limited was \$17,249,857 (2015: Loss of \$734,606). Basic earnings per share amounted to 10.7 cents for the year (2015: -0.5 cents).

Review of operations

MicroCap Investment Portfolio

The current period profit is primarily attributed to stronger returns from stocks in the ASX listed small and microcap space. For the year ended 30 June 2016, the S&P/ASX Small Ordinaries Accumulation Index returned 14.4% while the broader market ASX All Ordinaries Accumulation Index that is heavily weighted to the larger companies in the market returned only 2.0%. By comparison, the Company's investment portfolio returned 19.4% over the same period.

This strong investment performance provided an increase in the Company's Net Tangible Asset value per share from \$1.058 to \$1.110. When dividends paid of 6.3 cents per share are taken to account, this delivers a return of to 10.9%. From 1 July 2015 to 30 June 2016, the Company's share price fell from \$1.075 to \$1.00 – a total shareholder return of -1.1% after adjusting for dividends paid.

Funds Management

This segment of the business contributed profit after tax of \$302,000 for the year ended 30 June 2016 compared with \$871,000 for FY15. This was a direct result of falling funds under management (FuM), which affected fee revenue, and rising operating costs in a very competitive environment. During the year FuM fell from \$775m to \$597m.

On 24th June 2016, the Company signed a contract to sell its fund management operation – Contango Asset Management Limited ("CAM"). The main elements of the contract are:

- Cash consideration of \$13m, payable in two instalments – \$2.6m on 29th June 2016 and \$10.4m payable on the completion of a capital raising by the acquirer
- Completion of the contract and handover of management control of CAM to the acquirer occurred on 30th June 2016
- A new investment management agreement ("IMA") retaining CAM as the Company's investment manager. The main terms of the IMA are:
 - Investment mandate unchanged – managing microcaps
 - No performance fee
 - Management fees unchanged – a scaled fee charged at set at 1.25%pa on the first \$200m of funds being managed and 1% on any amount above \$200m
 - An initial term of 5 years
 - A peer based investment performance benchmark where shareholders can remove the investment manager of the benchmark is not met

Significant changes in the state of affairs

Other than the sale of the fund management business described in the previous section, there have been no other significant changes in the Company's state of affairs during the financial year.

After balance date events

On 29 July 2016, Mr Alistair Drummond was appointed to the Company's Board of Directors. The Company will seek ratification of Mr Drummond's appointment at the annual general meeting in November 2016.

On 29 August 2016, the Company declared its final dividend for FY16 – refer to additional detail below.

No other 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).

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 2015 of 4.6 cents per share (50% franked) was paid to shareholders on 30 September 2015.

The interim dividend for the year ended 30 June 2016 of 4 cents per share (50% franked) was paid to shareholders on 31 March 2016.

Total dividends paid or declared during FY15 was \$10,108,685 (2015: \$13,606,647).

The final dividend for the year ended 30 June 2016 was declared on 29 August at 3.7 cents per share. This dividend will be 50% franked and will trade ex-dividend on 29 September 2016. Dividend payments and issue of shares under the Company's dividend reinvestment plan will occur on 14 October 2016.

Share options

Unlisted Options

There are 557,052 unlisted options on issue that were granted 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 2016.

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 Position Qualifications Appointment Experience and expertise	<p>Mark G Kerr</p> <p>Chairman (Non-executive)</p> <p>LL.B. (University of Melbourne)</p> <p>7 December 2009</p> <p>Mark is an experienced director whose other current roles include Non-Executive Chairman of two other ASX listed companies, Hawthorn Resources Limited (22 November 2007 to present); and Think Childcare and Education Limited (21 July 2014 to present); and a non-executive director of ASX listed, Contango MicroCap Limited (December 2009 to present) and Alice Queen Limited (23 November 2015 to present).</p> <p>Mark is a director of Berkeley Consultants Pty Ltd which specialises in public relations and reputation management consultancy. He is also a director and adviser to various other private companies. Mark's community involvement currently extends to being a member of the Victorian Committee of the Juvenile Diabetes Research Foundation and a member of the St Vincent's Institute Charity Golf Day Committee.</p> <p>Mark was formerly the Non-Executive Chairman of one-time ASX listed company Process Wastewater Technologies Limited from December 2007 to June 2013.</p>
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Name Position Qualifications Appointment Experience and expertise	<p>Ian N Ferres AM</p> <p>Board member (Non-executive)</p> <p>AM, FIAA, FAICD</p> <p>7 December 2009</p> <p>Ian has had a distinguished career in the funds management industry. He was employed by National Mutual Limited from 1956 to 1990. His executive positions within National Mutual Limited have included roles as Executive Director from 1983 to 1990, with responsibility for all worldwide equity, property, fixed interest investments and financial/banking ventures from 1975 to 1988, and as Managing Director of Meridian Funds Management 1988 to 1990. Ian was Group Managing Director of Australian Unity from 2002 to 2004.</p> <p>Ian has been chairman of some 15 entities, and a director of a further 15, since he began a non-executive career in 1990. They have included both Federal and State Government corporations, private companies, both listed and unlisted public companies, and community and charitable organizations.</p> <p>Ian is currently a director and non-executive Chairman of Contango Income Generator Limited (ASX code:"CIE"). He also holds a number of other non-executive positions including: Consultant, TressCox Lawyers since 2005 and Chairman of Technology Development Investment Limited (and a director of its investee companies).</p>
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Name Position Qualifications Appointment Experience and expertise	<p>David I Stevens</p> <p>Managing Director</p> <p>Bachelor of Economics (Monash University)</p> <p>14 January 2004</p> <p>David was the founder in 2004 of Contango MicroCap Limited (CTN) and he was the Portfolio Manager from 2004 to 2011.</p> <p>He jointly founded Contango Asset Management Limited (CAML) in 1998. Prior to establishing Contango he was the Managing Director and Chief Investment Officer of HSBC Asset Management (Australia) Limited. David joined HSBC in 1989 he became CIO in 1990 and Managing Director in 1992. During this period, funds under management at HSBC rose from \$700 million to \$6.3 billion. Previously with HSBC he had worked in London managing Global portfolios on behalf of US institutional clients.</p> <p>More recently, David introduced a number of new Contango funds aimed at the retirement income and the global equities requirements of the SMSF sector. David continues as the Portfolio Manager of the Contango Global Value Fund which was established in 2007.</p>
Name Position Qualifications Appointment Experience and expertise Special Responsibilities	<p>Glenn Fowles</p> <p>Board Member (Executive)</p> <p>Bachelor of Business (Accounting and Finance) (Massey University, NZ)</p> <p>14 January 2004</p> <p>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.</p> <p>Company Secretary and Chief Financial Officer</p>
Name Position Qualifications Appointment Experience and expertise	<p>Alistair Drummond</p> <p>Board Member (Non-Executive)</p> <p>B Ec, LLB</p> <p>29 July 2016</p> <p>Alistair is a Senior Portfolio Manager at the Company's investment manager - Contango Asset Management Limited (CAML). He was an original member of the CAML investment team from 1999 to 2004 and rejoined in 2015. He has over 30 years experience in the financial services industry including in investment banking, corporate advisory and portfolio management. He has worked at several organisations including as an executive director Head of Melbourne Equity Sales at JP Morgan, a senior portfolio manager at National Australia Asset Management and National Australia Fund Management and in a variety of investment banking roles for National Australia Corporate Advisory, Morgan Grenfell Australia and JP Morgan.</p>

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	12	12
Ian N Ferres	12	12
David I Stevens	12	12
Glenn Fowles	12	12

Audit & Compliance Committee Meetings		
	Eligible to attend	Attended
Ian N Ferres	4	4
David I Stevens	4	4
Mark G Kerr	4	4

Indemnification and insurance of directors, officers and auditors

During the financial year, the Company has paid insurance premiums amounting to \$75,162 (2015: \$77,500) 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.

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 and other assurance services provided by auditor

Non-audit services are approved by the audit committee. Other assurance services provided by the auditors (Pitcher Partners) of the company during the year related to the issuance of an Investigating Accountants Report for the Contango Income Generator Prospectus' and attendance at the Due Diligence Committee meetings for the Contango Microcap Limited convertible note issue. The directors are satisfied that the provision of 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:	2016 \$'000	2015 \$'000
<u>Audit and other assurance services</u>		
Audit and review of financial reports	70	69
Other assurance services	60	64
Total remuneration for audit and other assurance services	130	133
<u>Other non-audit services</u>		
Taxation services	10	-
Total remuneration for non-audit services	10	-
Total remuneration of Pitcher Partners	140	133

ASX Corporate Governance Statement

The Board of Directors of Contango Microcap Limited is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement (CGS) in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on the Company's website.

Accordingly, a copy of the Company's CGS is available on the Contango website at http://contango.com.au/wp-content/uploads/2015/10/ASX_Corp_Gov_2015.pdf under the Corporate Governance section.

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.

Remuneration Report (audited)

Message from the Board

The Board is pleased to present the Remuneration Report for the calendar year ending 30 June 2016. The report clearly explains to shareholders the remuneration framework and outcomes for our senior executives and non-executive directors during 2015/2016.

Remuneration Changes

Two major events occurred during the year:

- The retirement of David Stevens as Managing Director, effective from the 31st of October 2015. Subsequent to David's stepping down as the Managing Director, he remained as a non-executive director.
- The sale of the funds management subsidiary Contango Asset Management, effective from the 30th of June 2016.

With these substantial changes, non-executive and independent director, Mr Mark Kerr, stepped in to assist in the transition of management to ensure a smooth transition occurred.

While the Contango Asset Management transaction eventuated at the end of the financial year, final payment for the purchase of the asset will be paid within the first half of the 2016/17 financial year. To ensure that shareholders are fully aware of all transactional costs associated with the sale, a bonus payment that will be to George Boubouras once the final payment is made has been highlighted in the remuneration report.

In our last annual report, we indicated that a new long term incentive plan would be put in place. As Contango Asset Management subsidiary has now been sold, no long term incentive has been developed, given that all staff are transferring to the new entity.

Shareholders should also be aware that, while the short term incentive plan was changed last financial year, the performance objectives were not met and hence, no incentive payments relating to the performance over the last financial year are due and payable in this or the next financial year.

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 2016 financial year.

The information provided in this Remuneration Report has been audited setting out the total remuneration realised in the 2016 financial year. To ensure transparency and simplicity, we have complied 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 2016 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 2016 are set out in the table below:

Key Management Personnel (KMP's) (as at 30 June 2016)		
Name	Title	Change during the 2016 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	Up to 31 October 2016
	Non-Executive Director	From 1 November 2016
Glenn Fowles	Executive Director, Chief Financial Officer and Company Secretary	No change
George Boubouras	Chief Investment Officer	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 Managing Director and other key management personnel.
- 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 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 2016 financial year, the main focus of Hart Consulting Group's role was to advise the Board in compiling the Remuneration Report.

During the 2016 financial year, advice paid for by the organisation on this issue was zero, with the cost incurred arising in the financial year 2017 of \$8,000 plus GST.

3 Executive Remuneration

This section describes the remuneration approach that applied during the 2016 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.

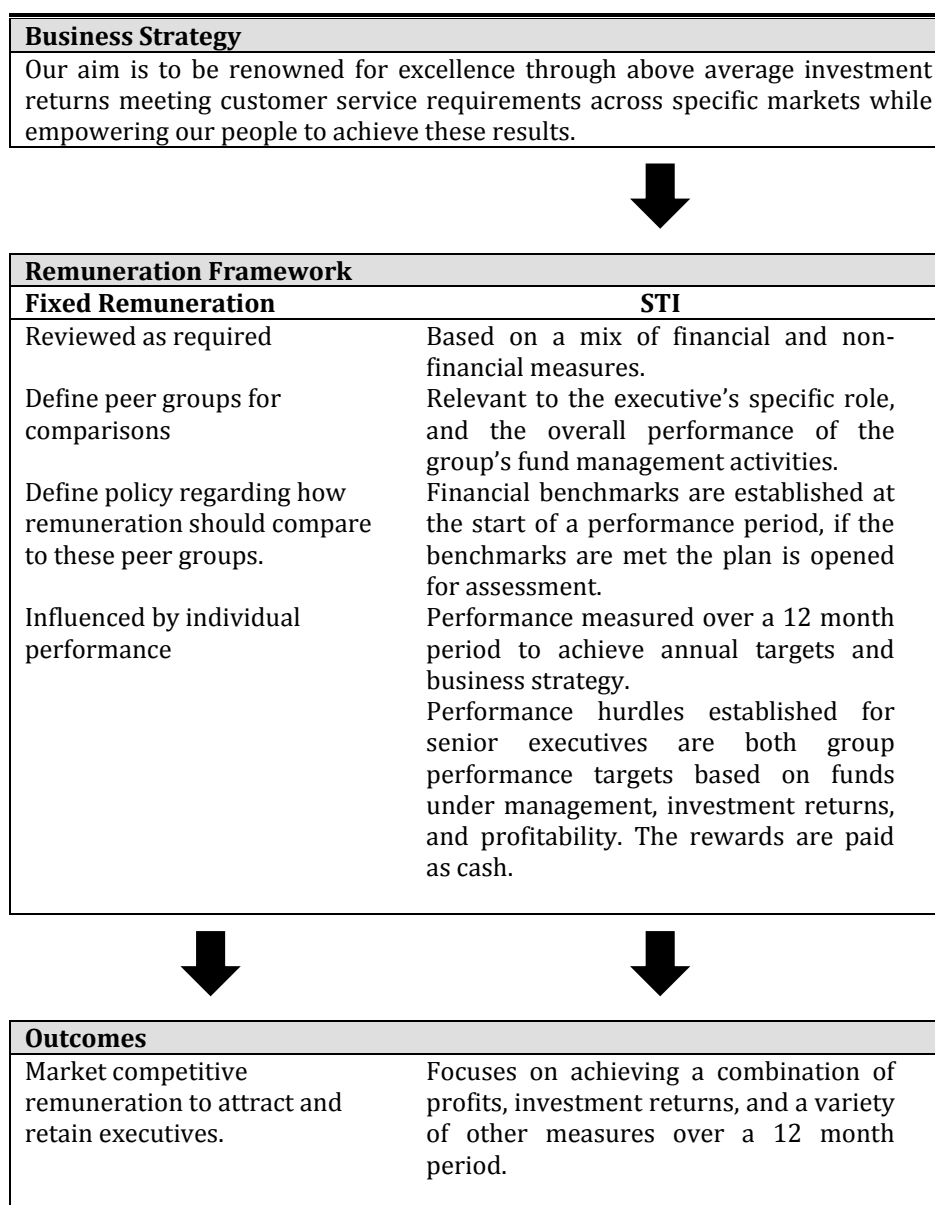
3.2 Remuneration Components

Executive remuneration for the 2016 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.

Fixed Remuneration	Base salary, non-monetary benefits and superannuation.
STI	Annual variable remuneration delivered as cash, subject to company financial and personal performance measures.

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

Executive Remuneration Framework



3.3 Timing of Remuneration Components

The different components of remuneration reflect a focus on short term performance and delivery of these components over timeframes ensure that executives remained focused on performance.

Retention of executives is assisted by:

- Reducing fixed reward and increasing variable reward based on surpassing a suitable return on monies invested in the business. (Hence more remuneration payable if targets achieved).

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

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 Managing Director's, CFO's and CIO's remuneration arrangements following consideration by the Remuneration and Nominations Committee.

	Fixed Remuneration	STI (Maximum)	LTI (grant value) (Maximum)
FY16 Policy Remuneration Mix			
CEO	50%	50%	0%
CFO/Co. Sec.	50%	50%	0%
CIO	50%	50%	0%
FY17 Policy			

No policy determined as no staff employed following sale of Contango Asset Management.

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 and superannuation only. (One exemption this year is the provision of a laptop to David Stevens).

The 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 FY16 short term incentive plan was based on meeting a performance hurdle which was above the required level of profit for Contango Asset Management Limited (CAML).

Once the profit hurdle was surpassed, a proportion of the profits above that hurdle, 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 FY16 the minimum performance profit target was not achieved and hence, no payments were made. 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.

The success of the plans are totally dependent on the growth and profitability of CTN's funds management activities that are operated through its subsidiary's - in particular through its wholly owned subsidiary Contango Asset Management Limited.

Payments under the plans depend firstly on the profitability of CAML, over and above a satisfactory return on CTN's investment in recent years when CTN purchased CAML from its previous shareholders. Profits above this base level will be shared between CTN shareholders and its staff.

All staff will have annual and half yearly appraisals against a personal set of targets, covering not only their direct personal responsibilities, but also their personal contribution to the group's overall investment performance, the growth of the business and the development of a cohesive collaborative working team.

Significant rewards will only flow to staff from the generation of top class investment and administrative performance, along with substantial growth in funds under management. In this event CTN shareholders will also gain considerable additional returns from their investment in CAML.

3.6 Executive Employment Contracts

The following sets out details of the contract terms relating to the disclosed executives from the 1st July 2016.

Executive Role	and	David Stevens – CEO	Glenn Fowles – CFO/Co. Sec.	George Boubouras - CIO
Fixed Reward		\$350 000	\$300 000	\$300 000
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.	Compulsory superannuation is deducted from the fixed reward up to the maximum contribution base.
Short Term Incentive		Target 100%	Target 100%	Target 100%
Non-monetary Benefits		Nil	Nil	Nil
Termination by the executive		6 months	6 months	6 months
Termination by the company		6 months Or immediately if cause	6 months Or immediately if cause	6 months Or immediately if cause
Contract period		Open ended and exclusive	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.	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

This section details the groups' senior executive remuneration in accordance with the Corporation and Accounting Standards.

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 FY16.

Disclosure of actual remuneration is provided voluntarily for increased transparency. 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 2016 financial year.

Name	Cash Salary	Superannuation	Benefits	STI earned	LTI earned	Consulting Fee	Termination Fee	Total
D. Stevens*	\$ 83 122	\$29 936	\$2 000	\$0	\$0	\$40 000	\$160 000	\$315 058
G. Fowles	\$280 692	\$19 308	\$0	\$0	\$0	\$0	\$0	\$300 000
G. Boubouras†	\$280 692	\$19 308	\$0	\$300 000	\$0	\$0	\$0	\$600 000

* Ceased employment as at 31/10/2015

† Bonus amount for organising sale of Contango Asset Management (payable in November 2016).

Statutory KMP Table

	Short Term Employee Benefits			Post Employment			Long Term Benefits ⁴				
	Cash Salary	Bonus ²	Non Monetary Benefits ³	Super Benefits	Termination Benefits	SUBTOTAL	Shares	Fair Value of Shares	TOTAL PAYMENTS	Percentage of Cash Bonuses ⁵	Percentage Share Based Incentive
D. Stevens											
FY16	\$123 122	0	\$2 000	\$29 936	\$160 000	\$315 058	0	0	\$315 058	0%	0%
FY15 ¹	\$476 217	0	\$0	\$18 783	-	\$495 000	0	0	\$495 000	0%	0%
G. Fowles											
FY16	\$280 692	0	0	\$19 308	-	\$300 000	0	0	\$300 000	0%	0%
FY15 ¹	\$330 467	0	\$8 963	\$18 783	-	\$349 250	0	0	\$349 250	0%	0%
G. Boubouras											
FY16 ⁶	\$280 692	0	0	\$19 308	-	\$300 000	0	0	\$300 000	0%	0%
FY15	\$115 608	\$50 000		\$9 392		\$125 000	0	0	\$175 000	40%	0%

1. Relates to seven months' salary only when CTN took over CAML.
2. Bonus payments refer to the FY16 year only. The bonuses earned in FY16 are paid in FY17.
3. Refers to the value of a laptop.
4. No plan is in place for FY16
5. Percentage calculation is based on the cash STI in FY16 as a percentage of total payments.
6. Six months employment commenced 6th January 2016.

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 2016 are set out in the table below:

Director	Position	Board Committees (as at 30 June 2016)
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
David Stevens	Non-Executive Director	N/A

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

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.

The fees paid to Directors for FY16 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	\$100 000	\$70 000
Audit and Risk Committee	\$ 5 000	\$ 5 000
Remuneration and Nominations Committee	\$ 5 000	\$ 5 000

In addition to the fees above, Mr Kerr and Mr Ferres are also paid for additional work carried out as consultants. In the most recent year, this has involved numerous meetings with management, directors and consultants regarding the transition in management and the sale of Contango Asset Management.

Appropriate daily rates approved by the Board after advice from external advisors have been charged by the Non-executive Directors in undertaking this work.

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 2015 and 2016 financial years are set out in the table below:

Directors of Contango Group Companies				
	Short Term Benefits		Post-Employment Benefits	Total
	Board and Committee Fees	Super Contribution	Termination Benefits	
M. Kerr ¹				
2016	\$ 110 000	\$ 10 450	-	\$120 450
2015	\$ 110 000	\$ 10 450	-	\$120 450
I. Ferres ¹				
2016	\$ 80 000	\$ 7 600	-	\$ 87 600
2015	\$ 80 000	\$ 7 600	-	\$ 87 600
D. Stevens				
2016	\$ 53 336	\$ 5 064	-	\$ 58 400
2015	\$0	\$0	-	\$0
Total				
2016	\$ 243 336	\$ 23 114	-	\$ 266 450
2015	\$ 190 000	\$ 18 050	-	\$ 208 050

¹ In addition both directors earned additional consulting fee in 2015/16 of \$64,000 for Mark Kerr and \$25,000 for Ian Ferres for their roles in the sale of Contango Asset Management and the transition in leadership post David Stevens.

4.5 Voting and Comments at Company's AGM

At the company's AGM held on 26th November 2015, 89% of votes cast by shareholders approved the remuneration report for the 2014/2015 financial year.

Directors' interests in shares and options

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

	2016 shares	2016 convertible notes	2016 options	2015 shares	2015 convertible notes	2015 options
Mark G Kerr	55,651	296	nil	51,924	296	nil
Ian N Ferres	Nil	nil	nil	Nil	nil	nil
David I Stevens	2,214,839	nil	nil	2,214,839	nil	nil
Glenn Fowles	588,105	nil	180,289	588,105	nil	180,289

Signed in accordance with a resolution of the directors.

Mark Kerr
Director
Melbourne
September 2016

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**Consolidated Statement of Comprehensive Income
For the year ended 30 June 2016**

	Notes	2016 \$'000	2015 \$'000
Revenue and other income			
Revenue	4	5,287	6,270
Fair value gain/(loss) on financial assets through profit and loss		24,923	(3,735)
Other income	4	56	-
		<u>30,266</u>	<u>2,535</u>
Less:			
Management fees		2,090	2,258
Employee benefits expense		1,235	1,129
Transaction costs		484	435
Depreciation and amortisation expense	10, 13	121	59
Finance costs		1,458	762
Other administration expenses		1,825	1,856
		<u>7,213</u>	<u>6,499</u>
Profit/(loss) before income tax		23,053	(3,964)
Income tax benefit/(expense)	5	(7,268)	2,653
Net profit/(loss) from continuing operations		<u>15,785</u>	<u>(1,311)</u>
Add:			
Net profit after tax on sale of discontinuing operations	10	1,465	576
Total comprehensive income for the year		<u><u>17,250</u></u>	<u><u>(735)</u></u>
Earnings per share for comprehensive income to the equity holders of the parent entity:			
Basic earnings per share	20	10.7	-0.5
Diluted earnings per share	20	10.7	-0.5

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

**Consolidated Statement of Financial Position
As at 30 June 2016**

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Cash and cash equivalents	7	9,436	9,256
Receivables	8	17,266	2,140
Investments at fair value	9	199,501	183,870
Non-current assets classified as held for sale	10	<u>-</u>	<u>13,776</u>
TOTAL ASSETS		<u>226,203</u>	<u>209,042</u>
LIABILITIES			
Payables	11	5,386	3,715
Tax payable	5	402	74
Provisions	12	-	101
Borrowings	13	26,056	25,935
Deferred tax liability	5	15,895	8,523
Liabilities directly associated with non-current assets classified as held for sale	10	<u>-</u>	<u>1,232</u>
TOTAL LIABILITIES		<u>47,739</u>	<u>39,580</u>
NET ASSETS		<u>178,464</u>	<u>169,462</u>
EQUITY			
Contributed capital	14	194,178	192,317
Reserves	15 (a)	13,896	24,005
Accumulated losses	15 (b)	<u>(29,610)</u>	<u>(46,860)</u>
Equity attributable to owners of Contango MicroCap Ltd		<u>178,464</u>	<u>169,462</u>

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

Consolidated Statement of Changes in Equity For the year ended 30 June 2016

Consolidated Entity	Contributed Equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance as at 30 June 2014	189,821	37,612	(46,125)	181,308
Profit/(Loss) for the year	-	-	(735)	(735)
Total comprehensive income for the year	-	-	(735)	(735)
Transactions with owners in their capacity as owners:				
Transfer to/(from) dividend reserve	-	-	-	-
Dividend reinvestment	2,496	-	-	2,496
Dividends paid	-	(13,607)	-	(13,607)
	2,496	(13,607)	-	(11,111)
Balance as at 30 June 2015	192,317	24,005	(46,860)	169,462
Profit/(Loss) for the year	-	-	17,250	17,250
Total comprehensive income for the year	-	-	17,250	17,250
Transactions with owners in their capacity as owners:				
Transfer to/(from) dividend reserve	-	-	-	-
Dividend reinvestment	1,861	-	-	1,861
Dividends paid	-	(10,109)	-	(10,109)
	1,861	(10,109)	-	(8,248)
Balance as at 30 June 2016	194,178	13,896	(29,609)	178,464

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(5,191)	(4,256)
Interest paid to note holders		(1,458)	(400)
Sale of investments		130,303	101,479
Payment for investments		(121,574)	(113,400)
Dividends received		5,728	5,144
Interest received		200	327
Income tax refund/(paid)		74	(85)
Net cash provided by operating activities	17(a)	<u>8,082</u>	<u>(11,191)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of assets held for sale		<u>2,600</u>	-
Net cash provided by investing activities		<u>2,600</u>	-
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from shares/notes issued	13,14(b)	-	25,875
Repayments of related party loans		(2,254)	2,122
Dividends paid net of amounts reinvested	15(a)	<u>(8,248)</u>	<u>(11,111)</u>
Net cash used in financing activities		<u>(10,502)</u>	16,886
Net increase / (decrease) in cash and cash equivalents		180	5,695
Cash and cash equivalents at beginning of year	17(b)	<u>9,256</u>	3,561
Cash and cash equivalents at end of the year	17(b)	<u><u>9,436</u></u>	<u><u>9,256</u></u>

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

Notes to the Financial Statements

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The accompanying notes form part of these 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 and its controlled entities. 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 29 August 2016.

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. At the end of the financial year the Board assesses the expected value of foreseeable future dividend payments and transfers the required amount from Retained Earnings to the Dividend Payment Reserve. Any remaining surplus of Retained Earnings is transferred to Accumulated Losses.

(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 consolidated entity comprising the financial statements of the parent entity and of all entities the parent controls. The parent entity controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its return.

The financial statements of the controlled entities 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 2016 is 3 years (2015: 3 years).

(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.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(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 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.

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.

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

Tax consolidation

Contango Microcap Limited and its wholly owned subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group from 29 March 2013. The parent entity and subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances;
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

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) Accounting standards issued but not yet effective at 30 June 2016*AASB 15 Revenue from contracts with customers*

AASB 15 introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:

- Step 1: Identify the contracts with the customer;
- Step 2: Identify the separate performance obligations;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price; and
- Step 5: Recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2017.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

AASB 9 Financial Instruments

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

AASB 9 amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

Chapter 6 *Hedge Accounting* supersedes the general hedge accounting requirements in AASB 139 *Financial Instruments: Recognition and Measurement*, which many consider to be too rules-based and arbitrary. Chapter 6 requirements include a new approach to hedge accounting that is intended to more closely align hedge

accounting with risk management activities undertaken by entities when hedging financial and non-financial risks. Some of the key changes from AASB 139 are as follows:

- to allow hedge accounting of risk components of non-financial items that are identifiable and measurable (many of which were prohibited from being designated as hedged items under AASB 139);
- changes in the accounting for the time value of options, the forward element of a forward contract and foreign-currency basis spreads designated as hedging instruments; and
- modification of the requirements for effectiveness testing (including removal of the 'brightline' effectiveness test that offset for hedging must be in the range 80-125%).

Revised disclosures about an entity's hedge accounting have also been added to AASB 7 *Financial Instruments: Disclosures*.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

The effective date is annual reporting periods beginning on or after 1 January 2018.

The available-for-sale investments held will be classified as fair value through other comprehensive income and will no longer be subject to impairment testing. The impairment loss recognised in the current year financial statements in relation to these statements was \$0. Hedge accounting is likely to be applied to more of the entity's transactions in future transactions – the impact on the reported financial position and performance is dependent on the volume and value of future derivatives. Other impacts on the reported financial position and performance have not yet been determined.

(n) Financial instruments

Classification

The consolidated entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

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.

Derivative financial instruments

The consolidated entity holds derivative financial instruments for trading purposes only.

Derivatives are initially recognised at fair value and applicable transaction costs are recognised in profit or loss as they are incurred. After initial recognition, derivatives that are not designated in a qualifying hedge relationship are measured at fair value and changes in value are recognised immediately in profit or loss.

Financial Liabilities

Financial liabilities include trade and other payables, tax payable and borrowings.

Compound financial instruments

Compound financial instruments issued by the consolidated entity comprise convertible notes that are able to be converted to share capital at the option of the noteholder, and the number of shares to be issued will not vary with changes in their fair value.

The liability component of a compound financial instrument is initially recognised at the fair value of a comparable liability that does not have an equity conversion option. The equity component is initially recognised at the difference between fair value of the compound financial instrument as a whole and the fair

value of the liability component. All directly attributable transaction costs are allocated to the liability and equity component on a proportional basis.

After initial recognition, the liability component of the compound financial instrument will be measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured after initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

(o) 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.

(p) Comparatives

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

(q) 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: SIGNIFICANT 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.

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.

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 2016, the Company had no short sold positions (2015: 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:

	2016	2015
	\$'000	\$'000
Securities designated at fair value through profit or loss	199,501	183,869
	199,501	183,869

(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 2016 (2015: 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 2016, cash and cash equivalents to the value of \$9,436,237 (2015: \$9,256,295) are the only financial instrument subject to interest rate risk. The weighted average interest rate applicable for the year was 1.6% (2015: 2.2%).

Convertible notes that were issued on 19 December 2015 pay a fixed rate of 5.5% per annum payable half-yearly on 30 September and 31 March each year until 31 March 2020.

(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 2016 the Company had no exposure to ASX Share Price Index futures contracts (2015: 5 contracts at an exposed value of \$674,625).

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.

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 \$'000	1-3 months \$'000	3-12 months \$'000	12-60 months \$'000
At 30 June 2016				
Payables	5,386	-	-	-
Tax payable	-	-	402	-
Borrowings	-	-	-	26,056
Total financial liabilities	5,386	-	402	26,056
At 30 June 2015				
Payables	3,854	-	-	-
Tax payable	-	-	74	-
Borrowings	-	-	-	25,935
Total financial liabilities	3,854	-	74	25,935

(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 2016 and 30 June 2015, 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. 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 \$199,137,000 (2015: \$159,366,000) Level 1 and \$364,000 (2015: 24,503,000) Level 2 Financial Assets and Liabilities as at 30 June 2016. Level 2 Assets are investments in unlisted managed funds that are valued at redemption value calculated in accordance with market principles.

(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 \$14.0m (2015: \$12.9m).

NOTE 4: REVENUE	2016 \$'000	2015 \$'000
Revenue comprises		
Dividends	5,087	5,950
Interest	200	320
	5,287	6,270
Other income comprises		
Write back of earn-out provision	56	-
	56	-

NOTE 5: INCOME TAX

2016
\$'000

2015
\$'000

(a) Components of tax expense:

Underprovision of prior year tax	-	82
Current tax	404	77
Deferred tax	7,372	(2,517)
	7,776	(2,358)

(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	23,053	(3,093)
Other activities	1,972	-
Total profit/loss before income tax	25,025	(3,093)

Prima facie income tax payable on profit before income tax at 30% (2015: 30%)

Less tax effect of:

- dividend income	(803)	(1,315)
- non-deductible expenditure	95	-
- capital gains tax on disposal of discontinuing operation	1,411	-
- tax losses not previously brought to account in controlled entity	(434)	(197)

Underprovision of prior year tax

Income tax expense/(benefit) attributable to profit

Income tax expense/(benefit) attributed to continuing operations

Income tax expense/(benefit) attributed to discontinued operations

7,269 (2,653)

507 295

7,776 (2,358)

Deferred tax relates to the following:

Deferred tax assets

The balance comprises:

Tax losses carried forward	-	822
Accruals	375	260
	375	1,082

Deferred tax liabilities

The balance comprises:

Financial assets at fair value through profit and loss	(16,154)	(9,451)
Income assessable in the future	(116)	(154)
	(16,270)	(9,605)

Net deferred tax liability

(15,895) (8,523)

(c) Income tax expense/(benefit) included in tax payable comprises

Opening balance	74	-
Under provision from prior year	-	82
Current year tax	404	77
Tax payments	(76)	(85)
	402	74

	2016 \$'000	2015 \$'000
(d) Deferred income tax expense/(benefit) included in income tax expense comprises		
Increase/(decrease) in deferred tax assets	707	2,147
Increase/(decrease) in deferred tax liabilities	6,665	(4,664)
	7,372	(2,517)

(e) Deferred tax asset of controlled entity not previously brought to account

Revenue tax losses	16,490	16,621
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NOTE 6: DIVIDENDS

(a) Dividends paid or declared

Interim dividend paid for current financial year at \$0.026 per share 50% franked at 30% tax rate (2015: \$0.04 per share 25% franked at 30% tax rate)

5,919	6,355
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Final dividend paid for previous financial year at \$0.037 per share 50% franked (2015: \$0.046 per share 50% franked)

4,190	7,252
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10,109	13,607
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The final dividend for the year ended 30 June 2016 has been declared at 3.7 cents per share – 50% franked. Dividend payments will be made on 14 October 2016.

(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.

513	502
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NOTE 7: CASH AND CASH EQUIVALENTS

Cash at bank and on deposit

9,436	9,256
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9,436	9,256
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NOTE 8: RECEIVABLES

Unsettled sales

3,680	704
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Related party loans

145	138
-----	-----

Other receivables

13,441	1,435
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17,266	2,277
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NOTE 9: INVESTMENTS

Financial assets at fair value through profit and loss

Shares in listed entities

199,137	159,366
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Units in managed funds

364	24,503
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Investments at fair value through profit and loss

199,501	183,869
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NOTE 10: DISCONTINUED OPERATION

(a) On 24 June 2016, The Company entered into an agreement to sell its funds management business for consideration of \$13m payable in two instalments – \$2.6m upon completion of the contract and \$10.4m payable on or before 31 October 2016.

The contract was completed on 30 June 2016 with the first instalment amount received. All relevant assets and liabilities were transferred to the acquirer on that date through sale of the holding company of these assets - 2735 CSM Holdings Pty Ltd. This transaction also sees the Company disposing of 100% subsidiaries - Contango Asset Management Limited and Contango Group Services Pty Ltd acquired in November 2013 as well as its 46.25% stake in Switzer Asset Management Limited which was acquired in December 2015.

Contango Asset Management Limited has been retained as the investment manager of the Company's investment portfolio under a new investment management agreement. This agreement has an initial term of 5 years.

(b) The results of the discontinued operation for the period until disposal are presented below:

	2016 \$'000	2015 \$'000
(i) Financial performance information		
Revenue	5,472	7,194
Expenses	(4,999)	(6,324)
Other income	-	-
Profit/(loss) before income tax	473	870
Income tax expense	(139)	(295)
Profit/(loss) after income tax of discontinued operation	334	575
Gain on sale of the discontinued operation before income tax	1,499	-
Income tax expense	(368)	-
Gain on sale of the discontinued operation after income tax	1,131	-
Profit/(loss) from discontinued operation	1,465	575
(ii) Cash flow information		
Net cash provided by / (used in) operating activities	(225)	761
Net cash provided by / (used in) investing activities	(455)	-
Net cash provided by / (used in) financing activities	2,202	(1,571)
Net cash flow	1,522	(810)
(iii) Carrying amount of assets and liabilities		
<i>Assets</i>		
Cash	-	1,230
Receivables	-	3,057
Property, plant and equipment	-	35
Non-current assets classified as held for sale	-	9,455
	-	13,777
<i>Liabilities</i>		
Payables	-	1,230
Net assets attributable to discontinued operation	-	12,546

	2016 \$'000	2015 \$'000
(iv) Details of discontinued operations disposed		
Consideration received or receivable	12,955	-
Cash	2,600	-
Total disposal consideration	15,555	-
Less: net assets disposed of	14,056	-
Gain on disposal of discontinued operation before tax	1,499	-
Income tax expense	(368)	-
Profit from disposal of discontinued operation	1,131	-

NOTE 11: PAYABLES

Unsettled purchases	3,439	1,025
Related party loans	13	2,260
Other payables	1,934	569
	5,386	3,854

NOTE 12: PROVISIONS

Earn-out payments	-	101
	-	101

NOTE 13: BORROWINGS

There were 26,500 convertible notes outstanding at 30 June 2016 each with a face value of \$100 which were issued on 24 December 2014. These notes carry an interest entitlement of 5.5 per cent per annum. They may be converted at the option of the holder into ordinary shares based on a conversion price of \$1.30 per share until 31 March 2020. Notes not converted will be redeemed at their face value on 31 March 2020. At 30 June 2016, the face value of the convertible notes on issue was \$26.5 million (2015: nil). Terms of the notes are regulated under a trust deed between the Company and Equity Trustees Limited.

Face value of convertible notes	26,500	26,500
Less raising costs	(625)	(625)
Previous amortised costs	60	-
Add amortisation of costs for period	121	60
Unsecured convertible notes at amortised cost	26,056	25,935

NOTE 14: CONTRIBUTED CAPITAL

(a) Issued and paid up capital

Ordinary shares fully paid	162,040,056	159,966,296
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Fully paid ordinary shares carry one vote per share and the right to dividends.

(b) Movements in shares on issue

	Parent Equity		Parent Equity	
	2016		2015	
	No of Shares	\$'000	No of Shares	\$'000
Beginning of the financial year	159,966,296	192,317	157,638,993	189,821
Issued during the year:				
– Shares issued acquiring subsidiaries	-	-	-	-
– Dividend reinvestment scheme	2,073,760	1,861	2,327,303	2,496
– Shares issued from options exercise	-	-	-	-
End of the financial year	162,040,056	194,178	159,966,296	192,317

(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 (2015: 557,052).

(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	2016 \$'000	2015 \$'000
NOTE 15: RESERVES AND ACCUMULATED LOSSES			
Dividend reserve	16(a)	<u>13,896</u>	24,005
Accumulated losses	16(b)	<u>(29,610)</u>	(46,860)
(a) Dividend reserve			
<i>(i) Nature and purpose of reserve</i>			
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.			
<i>(ii) Movements in reserve</i>			
Balance at the beginning of year		24,005	37,612
Transfer from retained earnings/(accumulated losses)		-	-
Total available for appropriation		24,005	37,612
Dividends paid		(10,109)	(13,607)
Balance at end of year		<u>13,896</u>	24,005
(b) Accumulated losses			
Balance at the beginning of year		(46,860)	(46,125)
Profits/(Losses) attributable to members of Contango MicroCap Limited		17,250	(735)
Balance at end of year		<u>(29,610)</u>	(46,860)

NOTE 16: INTERESTS IN SUBSIDIARIES

Subsidiaries of the group	Country of Incorporation	Ownership interest held by the group	
		2016 %	2015 %
Bellwether Partners Limited	Australia	100	100
Contango Capital Partners Pty Ltd	Australia	100	100
Contango Income Generator Limited	Australia	42	100
2735 CSM Holdings Pty Ltd (formerly Contango Group Pty Ltd)	Australia	0	100
Contango Asset Management Limited	Australia	0	100
Contango Group Services Pty Ltd	Australia	0	100

NOTE 17: CASH FLOW INFORMATION

2016
\$'000

2015
\$'000

(a) Reconciliation of cash flow from operations with profit after income tax

Profit/(Loss) after income tax	15,785	(1,311)
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Non-Cash Items

Unrealised gains on financial assets at fair value through profit or loss	(2,150)	(8,186)
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Depreciation and amortisation	121	71
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Changes in assets and liabilities

Decrease/(increase) in receivables	(15,146)	(424)
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Increase/(decrease) in payables	1,671	1,458
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Increase in income tax payable	328	74
--------------------------------	------------	----

Decrease/(increase) in provisions	101	(356)
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Increase/(decrease) in deferred income tax liability	7,372	(2,517)
--	--------------	---------

Net cash flow from operating activities	8,082	(11,191)
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(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	9,436	9,256
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Closing cash balance	9,436	9,256
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NOTE 18: COMMITMENTS

The Company regularly commits to underwriting activities in respect of public share issues. At 30 June 2016 the potential financial amount that the Company may be liable for is \$0 (2015: \$0).

The Company's non-cancellable operating leases were transferred with the disposal of subsidiaries.

Payable	30 June 2016	30 June 2015
Not later than one year	-	175
Later than 1 year but not later than five years	-	583
Later than five years	-	-
	-	758

NOTE 19: CONTINGENCIES

As at 30 June 2016, the consolidated entity had the following contingent liabilities resulting from acquisition earn-out arrangements.

- 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. During the year, the Company agreed an outstanding balance of \$45,410 and settled this in full. The difference between the provision for this item and the payment value, amounting to \$55,941, has been recognised as "Other Revenue" in the current year.
- 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 2016, there had been no new net growth that gave rise to any liability under this arrangement. No liability is expected to accrue from this agreement.

NOTE 20: EARNINGS PER SHARE	2016 \$'000	2015 \$'000
Reconciliation of earnings used in calculating earnings per share:		
Profit from continuing operations	15,785	(1,311)
Earnings used in calculating basic earnings per share	17,250	(735)
Earnings used in calculating diluted earnings per share	17,250	(735)
Weighted average number of ordinary shares used in calculating basic earnings per share	161,151,274	158,937,215
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	161,151,274	158,937,215
Basic earnings per share	+10.7 cents	-0.5 cents
Diluted earnings per share	+10.7 cents	-0.5 cents

NOTE 21: DIRECTORS & EXECUTIVES COMPENSATION	2016 \$'000	2015 \$'000
<i>Compensation by category</i>		
Short-term employment benefits	930	1,183
Post-employment benefits	92	71
Termination benefits	160	-
Other long-term benefits	-	-
Share-based payments	-	-
	1,182	1,254

NOTE 22: AUDITOR'S REMUNERATION

Amounts paid and payable to Pitcher Partners for:

Audit and other assurance services

Audit and review of financial reports	70	69
Other assurance services	60	64
Total remuneration for audit and other assurance services	130	133

Other non-audit services

Taxation services	10	-
Total remuneration for non-audit services	10	-

Total remuneration of Pitcher Partners	140	133
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NOTE 23: RELATED PARTY DISCLOSURES

During the year, as part of its normal payment of dividends on its shares and interest on the convertible notes the Company made payments to related parties that held shares and convertible notes in Contango MicroCap Limited (CTN). Dividend amounts of \$3,327 were paid to Mark Kerr (2015: \$2,000); \$139,535 to David Stevens (2015: 158,332); and \$37,051 to Glenn Fowles (2015: \$50,577). Convertible note interest of \$1,628 was paid to Mark Kerr (2015: \$446). Messrs Kerr, Stevens and Fowles are all directors of the Company.

NOTE 24: PARENT ENTITY INFORMATION

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

(a) Summarised statement of financial position	2016	2015
	\$'000	\$'000
Assets	226,254	205,532
Liabilities	47,790	44,883
Net assets	178,464	160,649
Equity	178,464	160,649

(b) Summarised statement of comprehensive income		
Profit/(loss) for the year	17,250	(1,606)
Other comprehensive income for the year	-	-
Total comprehensive income/(loss) for the year	17,250	(1,606)

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

The contingencies outlined in Note 21 relate to the parent entity except where otherwise stated (2015: nil).

NOTE 25 SEGMENT INFORMATION

During the year ended 30 June 2016 the consolidated entity sold the funds management segment of its business meaning that as at 30 June 2016 the consolidated entity only operates in one segment being the microcap investment portfolio. For further details of the funds management activities up to the point it was sold refer to Note 10: Discontinued Operations which includes details of the financial performance, cash flow and assets and liabilities.

NOTE 26: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 30 June 2016 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2016, of the Company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2016, of the Company.

NOTE 27: DEED OF CROSS GUARANTEE

The following companies were 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 2001* requirement to prepare a financial report and director's report.

The Deed of Cross Guarantee was put in place on 21 May 2015 and terminated on 24 April 2016.

The directors declare that the financial statements and notes set out on pages 18 to 40 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 2016 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 2016.

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

Mark Kerr
Director
Melbourne
September 2016

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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

A. SECURITY HOLDINGS DATA

Top 20 registered security holders

As at 31 July 2016 the twenty largest holders of the Company's ordinary shares and convertible notes are listed below:

Rank	Shareholder name	Shares	%
1	MR VICTOR JOHN PLUMMER	3,300,000	2.04
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,812,148	1.74
3	LONCETA PTY LTD <HANCOCK SUPER FUND A/C>	1,629,572	1.01
4	DAVID IAN STEVENS	1,403,839	0.87
5	BECK HAVAS PTY LTD <THE HAVAS FAMILY S/F A/C>	1,250,416	0.77
6	JACANA GLEN PTY LTD <LARKING SUPER FUND NO 2 A/C>	1,104,000	0.68
7	CLIMAX SUPER PTY LTD <CLIMAX SUPERFUND A/C>	762,029	0.47
8	MR JVC & MRS SL GUEST <GUEST FAMILY SUPER FUND A/C>	702,407	0.43
9	ANGUS MAC PTY LTD	632,577	0.39
10	G H KLUGE & SONS LTD	600,000	0.37
11	GRAHAM EVANS INVESTMENTS PTY LTD <GRAHAM EVANS S/FUND A/C>	569,900	0.35
12	MARIELLE PTY LTD <SEEKERS SUPER FUND A/C>	528,229	0.33
13	HORTON PTY LIMITED	524,000	0.32
14	DR SJ & MRS SJ AHERN <THE TRITON SUPER FUND A/C>	506,590	0.31
15	MR DG & MRS GE MACKENZIE	496,500	0.31
16	LYN SUSAN LAISTER	492,215	0.30
17	MR JW ROBINSON & MR SJ RALEIGH <EST LATE BRUCE D ANDREWS A/C>	486,499	0.30
18	MR JAMES VINCENT CHESTER GUEST	466,525	0.29
19	JFR INVESTMENTS PTY LTD <SUPER FUND A/C>	454,513	0.28
20	MR D RINGELBLUM & MS RM BOLTMAN <D RINGELBLUM P/L S/FUND A/C>	450,000	0.28
TOP 20 SHAREHOLDERS		19,171,959	11.83

Rank	Noteholder Name	Shares	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	31,295	11.81
2	FARALLON CAPITAL PTY LTD <NUNN INVESTMENT A/C>	20,000	7.55
3	UBS NOMINEES PTY LTD	18,000	6.79
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	16,571	6.25
5	CITICORP NOMINEES PTY LIMITED	12,500	4.72
6	THE POLICE ASSOCIATION	10,000	3.77
7	INVESTMENT MANAGEMENT CO PTY LTD <VANTAGE INVEST FUND A/C>	8,700	3.28
8	KOORYONGKOOT PTY LTD <LAUREN MATHIESON FAMILY A/C>	7,500	2.83
9	TJMW HOLDINGS PTY LTD <TJMW A/C>	2,950	1.11
10	MR DAMIAN FRANCIS PRETTY	2,494	0.94
11	SOFIGO INVESTMENTS PTY LTD	2,250	0.85
12	BJM INCOME INVESTMENTS PTY LTD	2,000	0.75
13	GEMLINE PTY LTD <S & A SIMSON SUPER FUND A/C>	2,000	0.75
14	JEROBOAM PTY LIMITED	2,000	0.75
15	JPH MANAGEMENT PTY LTD <THE HONORE PORTFOLIO A/C>	2,000	0.75
16	MR PL & MRS RA POLSON <POLSON FAMILY SUPER A/C>	2,000	0.75
17	CHAPTER TEN PTY LTD <CONEX 2 SUPERFUND A/C>	1,950	0.74
18	MR CN & MRS W BELLAMY <CWB SUPER FUND A/C>	1,750	0.66
19	EVELINA NOMINEES PTY LTD <MCCLUSKEY FAMILY A/C>	1,750	0.66
20	MENZEL GLASS PTY LTD <MENZEL SUPER FUND A/C>	1,750	0.66
TOP 20 NOTEHOLDERS		149,460	56.40

There were no substantial shareholders advised to the Company at 31 July 2016.

Range of security holders

At 31 July there were 5,947 holdings of ordinary shares and 301 holders of March 2016 5.5% unsecured convertible notes. These holdings were distributed as follows:

	Share holdings	Note holdings
1 - 1,000	450	272
1,001 - 5,000	1,104	22
5,001 - 10,000	1,168	2
10,000 - 100,000	3,076	5
100,000 and over	217	0
Total holders	6,015	301
Average holding size	26,939	880

There were 216 shareholdings of less than a marketable parcel of \$500 (463 shares) and no noteholders with less than a marketable parcel of 5 notes.

B. ON-MARKET BUY BACK

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

C. INVESTMENTS

As at 30 June 2016, the Company held investments in the following companies:

360 Capital Group	Gascoyne Resources Limited	PMP Limited
Adairs Limited	General Mining Corporation Ltd	Polynovo Limited
Aeris Environmental Ltd	Gpt Metro Office Fund	Praemium Limited
Apiam Animal Health Limited	Hotel Property Investments	Pro Medicus Limited
Applydirect Limited	HUB24 Limited	Psc Insurance Group Limited
Austal Limited	Indoor Skydive Australia Grp Ltd	Pulse Health Limited
Aust Ethical Investment Ltd	Jacana Minerals Limited	QMS Media Limited
Automotive Hldgs Group Ltd	Justkapital Litigation Partners Ltd	Range International Ltd
BigAir Group Limited	Kina Securities Limited	RXP Services Limited
Carindale Property Trust	Lifehealthcare Group Limited	Saracen Mineral Hldgs Limited
Catapult Group International Ltd	Lifestyle Communities Limited	Senetas Corporation Limited
Clover Corporation Limited	Lindsay Australia Limited	SG Fleet Group Limited
Codan Limited	Livehire Limited	Silver Chef Limited
Cogstate Ltd	Mayne Pharma Group Limited	Smart Parking Limited
Collins Foods Limited	MBD Energy Limited	Spooki Pte Ltd
Contango Income Generator Ltd	Medical Developments Intl Ltd	Touchcorp Limited
Dacian Gold Limited	Mitula Group Limited	Tower Limited
Dakota Minerals Limited	Mobile Embrace Limited	Tox Free Solutions Limited
Domocom Limited	Motorcycle Holdings Limited	Villa World Limited
Elanor Investors Group	Murray River Organics Ltd	Webjet Limited
Emerchants Limited	Orbital Corporation Limited	West African Resources Ltd
Enero Group Limited	Orocobre Limited	Xenith Ip Group Limited
Evolve Education Group Limited	Pilbara Minerals Limited	Yowie Group Ltd
FAR Limited		

D. TRANSACTION DATA

Over the 12 months ended 30 June 2016, the Company executed 530 purchase transactions and 978 sale transactions. The total brokerage paid or accrued during this period was \$485,452.