

**Contango MicroCap Limited, [ABN 47 107 617 381]
and controlled entities, (“CTN Group”)**

RISK POLICY

NOVEMBER 2013



Introduction

The CTN Group is a listed investment company which owns the funds management companies, Contango Asset Management Limited (“CAML”) and Bellwether Partners Limited (“BPL”) who provide fund management services to their clients.

Both CAML and BPL operate in accordance with investment management agreements between themselves and their clients as well as under the terms of the Australian Financial Services Licences issued to them which are regulated by the Australian Securities and Investments Commission. CAML also provides investment management services to Contango Microcap Limited, pursuant an investment management agreement between the parties.

Policy

It is the CTN Group’s policy where possible and within the terms of the respective management agreements and the law, to minimise the exposure to unnecessary risk of each CTN Group member including the portfolios of their clients. It does this through a program of internal controls, audit and insurance.

Types of Risk

Some of the risks that the CTN Group and the portfolios that its members manage, are exposed to, and how they manage these risks, are set out below. This is an extensive, but not exhaustive list. Similar techniques will be employed in any areas not specified.

- Credit – exposure to and non-performance of counter-parties used in transactions. This is managed by ensuring that adequate credit checking and due-diligence is performed in the selection of counter-parties.
- Liquidity – the ability of CTN Group members and the portfolios they manage to meet liabilities as and when they fall due. The terms of the Australian Financial Services Licences of CAML and BPL set out the minimum liquidity requirements to be maintained at all times by those CTN Group members.
- Key-Person - reliance on individual experience and decision making capabilities. Segregation of duties, authorisation procedures and adequate training of staff are all undertaken to minimise this exposure.
- Systems - adequacy of internal controls, computer systems, back-ups and disaster recovery. All procedures are documented and subject to monitoring by the Audit and Compliance Committee as well as external auditors.
- Portfolio Risk - aggregate exposure to securities and fluctuations therein. Portfolios are subject to minimum and maximum asset exposures to ensure appropriate diversification.
- Transactional Risk - embarking on improper transactions. Only those staff authorised to transact on portfolios are permitted to do so. Duties are segregated to ensure that trading, reporting and settlement of transactions are conducted by different people. Employees are also subject to rules on personal trading and the improper use of inside information.
- Event Risk - changes within the legal environment or the market. These risks are controlled through the overall organisational control framework. Transacting in regularly traded, liquid instruments further reduces the impact that a significant event will have on the portfolios. External, expert outside advice is sought when deemed necessary.

Other Issues

- Audit and Compliance – CTN Group members and the portfolios they manages are subject to three levels of external audit. These cover the internal control environment, CTN Group financial reporting requirements and the requirements of the Compliance Plan of Managed Investment Schemes where the CTN Group member CAML, acts as Responsible Entity. The CTN Group also has an Audit and Committee that monitors the operational activities of each CTN Group member and the portfolios that they manage.
- Code of Ethics – CTN Group staff are subject to a Code of Ethics in respect of appropriate conduct for transactional and confidentiality aspects of their employment.
- Insurance – wherever this is deemed necessary or required under agreements or by law, the CTN Group will obtain cover through appropriate insurance policies to further reduce exposure to these risks.
- Breach Resolution – relevant CTN Group members also have a documented Breach Resolution Policy that defines the procedures to be undertaken in the event that a breach of the management agreements, the terms of their Australian Financial Services Licences, or the law were to occur.