



**Contango MicroCap Limited
and Controlled Entities**

ABN 47 107 617 381

**Financial report for the
Year ended 30 June 2017**

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The directors present their report together with the financial report of the Company consisting of Contango MicroCap Limited and the entities it controlled, for the financial year ended 30 June 2017 and auditor's report thereon.

Directors

The names of directors in office at any time during or since the end of the year are:

Mark G Kerr – appointed 7 December 2009
Alistair M Drummond – appointed 29 July 2016
Trevor Carroll – appointed 27 March 2017
Ken Poutakidis – appointed 27 March 2017
Adrian Fitzpatrick – appointed 11 July 2017
David I Stevens – appointed 14 January 2004 - ceased 27 March 2017
Glenn Fowles – appointed 14 January 2004 - ceased 27 March 2017
Ian N Ferres – appointed 7 December 2009 - ceased 27 March 2017

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Principal activities

The principal activities of the Consolidated entity during the financial year was investing in microcap companies listed on the Australian Securities Exchange (ASX).

Results

The consolidated loss after income tax attributable to members of Contango MicroCap Limited was \$13,894,290 (2016: profit of \$17,249,857). Basic earnings/(loss) per share amounted to (8.4) cents for the year (2016: +10.7 cents). Of this amount (8.4) cents (2016: 9.8 cents) was attributable to continuing operations and 0 cents (2016: 0.9 cents) from discontinued operations.

Review of operations

For the year ended 30 June 2017, the S&P/ASX Small Ordinaries Accumulation Index returned 7.01% while the broader market ASX All Ordinaries Accumulation Index that is heavily weighted to the larger companies in the market returned 13.12%. By comparison, the Company's investment portfolio returned -6.59% over the same period. It has generally been a difficult year in the microcap space with many investors rotating out of the small and microcap securities to invest in the larger capitalised companies. Additionally, there have been significant redemptions from a number of the small and micro-cap managers and this has placed pressure on this segment of the market. Toward the end of the financial year there has been improved performance from some of the larger companies in the small cap space. While we haven't been able to participate in this part of the rally due to the companies being too large for the micro-cap portfolio we anticipate that this rally will eventually extend into the microcap part of the market leading to improved performance from the fund. The weaker investment performance resulted in the Company's net tangible asset value per share falling from \$1.11 to \$0.96. When dividends paid of 6.4 cents per share are taken to account, this delivers a return of -7.75%. From 1 July 2016 to 30 June 2017, the Company's share price fell from \$1.00 to \$0.90 – a total shareholder return of -3.6% after adjusting for dividends paid.

Significant changes in the state of affairs

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

After balance date events

On 11 July 2017, Mr Adrian Fitzpatrick was appointed to the Company's Board of Directors. The Company will seek ratification of Mr Fitzpatrick's appointment at the annual general meeting in November 2017.

On 29 August 2017, the Company declared its final dividend for FY17 – 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 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 2016 of 3.7 cents per share (50% franked) was paid to shareholders on 14 October 2016.

The interim dividend for the year ended 30 June 2017 of 2.7 cents per share (50% franked) was paid to shareholders on 24 February 2017.

Total dividends paid or declared during FY17 was \$10,528,865 (2016: \$10,108,685).

The final dividend for the year ended 30 June 2017 of 3.9 cents per share (50% franked) was declared on 29 August 2017 and will be paid to shareholders on 13 October 2017.

Share options

Unlisted Options

There are no options on issue at the end of the financial year. 180,289 options were exercised on 20 November 2016 at \$1.106 per option. The remaining 376,763 unlisted options that were on issue at 30 June 2016 expired without being exercised.

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 since 1 July 2016 is provided below, together with details of the company secretary as at the year end.

Mark Kerr LL.B. (Independent Non-executive Chairman)

Mark is an experienced director whose other current roles include Non-Executive Chairman of two other ASX listed companies, Hawthorn Resources Limited and Think Childcare Limited, and a non-executive director of ASX listed, Alice Queen Limited and Contango Income Generator Limited.

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.

Other responsibilities: member of Audit Committee

Trevor Carroll B Com (Independent Non-executive Director)

Trevor has held senior management positions with a number of major international corporations and since 2008 has been a professional company director.

In his management capacity, Trevor was the Managing Director for Australia and New Zealand of Electrolux Home Products between 2001 and 2008. Prior to 2001, Trevor held senior management positions with substantial companies including Email, Simpson Appliances and Nissan Motor Company. He was the National President of the Australian Industry Group between 2006 and 2008.

More recently, Trevor has served as a non-executive director on the boards of The Good Guys, Big Sister Food Group, Fusion Retail Brands and Crane Group. Trevor has a Bachelor of Commerce degree from Canterbury University in New Zealand.

Other responsibilities: Chairman of the Audit Committee

Alistair Drummond B Ec, B LLB (Non-executive Director)

Alistair has over 30 years experience in the financial services industry. During this time he has had various roles in investment banking and corporate advisory, has been a senior portfolio manager at several organisations and was an executive director in a large stockbroker.

Alistair was formerly Head of Melbourne Equity Sales at JP Morgan and a senior portfolio manager at National Australia Asset Management and National Australia Fund management and has worked in a variety of investment banking roles for National Australia Corporate Advisory, Morgan Grenfell Australia and JP Morgan.

Alistair is a Senior Portfolio Manager at Contango Asset Management Limited, the Investment Manager of the Company.

Ken Poutakidis B Bus (Independent Non-executive Director)

Ken is a corporate advisor and corporate finance executive with more than 16 years' experience focusing in particular on small cap entities.

He is presently Managing Director and founder of Avenue Advisory, a boutique advisory firm providing corporate finance and capital markets advice to emerging companies.

Previously Ken worked as a management consultant and a corporate finance executive with leading equity firms across Australia and Asia. His particular expertise includes capital raisings, mergers & acquisition, corporate advisory, asset divestment and strategy development, with sectoral expertise in healthcare, industrials, engineering and financial services. He has also previously served as Chairman of the boards of Alchemia and Mach7 Technologies. Ken has a Bachelor of Business degree from Monash University.

Other responsibilities: member of the Audit Committee

Adrian Fitzpatrick B Com, FCA, MAICD (Non-executive Director)

Adrian retired from Pitcher Partners on 30 June 2016 after 39 years in professional practice, including as a partner of Pitcher Partners and predecessor firms. During his many years in senior partnership roles at Pitcher Partners, Adrian's responsibilities included Chair of Risk Committee, Member of Investment Committee, Human Resources responsible partner, Deputy Managing Partner and Partner in Charge of Business Advisory and Assurance.

Adrian is a non-executive director of ASX200 listed entity, ARB Corporation Limited. He also is an advisor to other private boards and a board member of two community based Not-For-Profit organisations.

Other responsibilities: member of the Audit Committee

Hari Morfis B Com/LLB (Hons) (Company Secretary)

Hari is a legal, risk and governance professional with over 15 years' experience predominantly in financial services. She has extensive corporate and commercial experience having commenced her career as a corporate lawyer at Herbert Smith Freehills. She spent 11 years at UBS in senior legal, risk and compliance roles most recently as Head of Compliance for the UBS Wealth Management Australia business. She is a director of Melbourne Women in Film Festival Limited and Company Secretary of ASX Listed entities Contango Asset Management Limited, Contango Income Generator Limited and Contango Global Growth Limited.

Ian Ferres AM, FIAA, FAICD (Former Non-executive Director)

Ian served as a non-executive director from 7 December 2009 until 27 March 2017. Ian was employed by National Mutual Limited from 1956 to 1990 and subsequently as Managing Director of Australian Unity. Ian has been chairman of 15 entities and director of a further 15 across government entities, private companies, listed and unlisted public companies and community and charitable organisations.

David Stevens B Comm (Former Non-executive Director)

David served as a director of the Company from 14 January 2004 until 27 March 2017, including as a Managing Director from 1 July 2014 to 31 October 2015. David jointly founded Contango Funds Management Limited in 1998. He was formerly the Managing Director and Chief Investment Officer of HSBC Asset Management (Australia) Limited having joined in 1989.

Glenn Fowles B Bus (Former Non-executive Director and Company Secretary)

Glenn was appointed as a director of the Company on 14 January 2004 and served in that role until 27 March 2017. During that time, he also acted in the role as Company Secretary and Chief Financial Officer. Glenn has worked in the financial services industry since 1985 including as Company Accountant, Operations Manager, Financial Controller, Finance Director, Chief Operating Officer and Chief Executive Officer.

Details of Directors and Company Secretary in office at year end:

Mr Mark Kerr - Non-Executive Chairman – appointed 7 December 2009

Mr Alistair Drummond – Non-Executive Director – appointed 29 July 2016

Mr Trevor Carroll – Non-Executive Director – appointed 27 March 2017

Mr Ken Poutakidis – Non-Executive Director – appointed 27 March 2017

Ms Hari Morfis – Company Secretary – appointed 27 March 2017

Non-Executive Directors completing office during the year ended 30 June 2017:

Mr David Stevens appointed 14 January 2004 ceased 27 March 2017

Mr Glenn Fowles appointed 14 January 2004 ceased 27 March 2017

Mr Ian Ferres appointed 7 December 2009 ceased 27 March 2017

Non-executive Director appointed after 30 June 2017:

Mr Adrian Fitzpatrick – Non-Executive Director – appointed 11 July 2017

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 Kerr	22	22
Trevor Carroll	4	4
Alistair Drummond	22	21
Ian Ferres	18	17
Glenn Fowles	18	18
Ken Poutakidis	4	4
David Stevens	18	18

Audit Committee

	Eligible to attend	Attended
Trevor Carroll	1	1
Mark Kerr	3	3
Ken Poutakidis	1	1
Ian Ferres	2	2
David Stevens	2	2

Indemnification and insurance of directors, officers and auditors

During the financial year, the Company has paid insurance premiums amounting to \$29,370 (2016: \$60,163) 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. 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:	2017	2016
	\$	\$
<u>Audit and other assurance services</u>		
Audit and review of financial reports	66,000	88,200
Other assurance services	-	-
Total remuneration for audit and other assurance services	66,000	88,200
<u>Other non-audit services</u>		
Advisory services	12,620	35,070
Taxation services	32,950	40,910
Total remuneration for non-audit services	45,570	75,980
Total remuneration of Pitcher Partners	111,570	164,180

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 MicroCap Limited website under the Corporate Governance section [<http://www.contango.com.au/microcap-limited/board-governance/>].

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Remuneration Report (Audited)

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 2017 financial year.

The information provided in this Remuneration Report has been audited setting out the total remuneration realised in the 2017 financial year.

1.2 KMP's for the 2017 Financial Year

For the purposes of this Remuneration Report the KMP's are the group's Non-Executive Directors. The Non-Executive Directors during the year ended 30 June 2017 are set out in the table below:

Key Management Personnel (KMP's) (for year ended 30 June 2017)		
Name	Title	Change during the FY2017
Mark Kerr	Chairman and Non-Executive Director	No change
Trevor Carroll	Non-Executive Director	From 27 March 2017 to 30 June 2017
Ken Poutakidis	Non-Executive Director	From 27 March 2017 to 30 June 2017
Alastair Drummond	Non-Executive Director	No change
Ian Ferres	Non-Executive Director	From 1 July 2016 to 27 March 2017
David Stevens	Non-Executive Director	From 1 July 2016 to 27 March 2017
Glenn Fowles	Non-Executive Director	From 1 July 2016 to 27 March 2017

2 Remuneration Governance

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

2.1 Role of the Board and the Remuneration Committee

The Board is responsible for the Company's approach to remuneration.

Up until 8 December 2016 the Company had a Remuneration Committee, however, with the disposal of the groups' fund management assets in June 2016, and thereafter, having no full-time executive staff, the Remuneration Committee was disbanded and all remuneration issues are covered under the scope of the full Board.

2.2 Use of External Advisors

The Board may seek and consider advice from independent and external advisors when required. Such advice will typically cover Non-Executive Director remuneration.

No external advisors were engaged for this purpose during FY17.

Statutory KMP Table

Name	Cash Salary	Superannuation	Benefits/ Other	STI earned	LTI earned	Consulting Fee	Termination Fee	Total
D. Stevens*								
FY16	83,122	29,936	2,000	-	-	40,000	160,000	\$315,058
FY17	-	-	-	-	-	-	-	-
G. Fowles								
FY16	278,725	19,308	1,967	-	-	-	-	\$300,000
FY17	-	-	-	-	-	-	-	-
G. Boubouras†								
FY16	280,692	19,308	300,000†	-	-	-	-	\$600,000
FY17	-	-	-	-	-	-	-	-

* Ceased employment as at 31/10/2015

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

3 Non-Executive Director Remuneration

This section explains the remuneration arrangements for Non-Executive Directors

3.1 Setting Non-Executive Director Remuneration

The Board annually reviews Non-Executive Director fees and committee fees.

The Board may seek advice from independent external advisors during these reviews.

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.

3.2 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 FY17 are set out in the table in section 3.4. The Company reduced the fees payable to its Directors during FY17 as set out in the table below, inclusive of superannuation contribution. 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	\$60 000	\$30 000
Audit Committee	\$-	\$-

In addition to the fees above, Non-Executive Directors may also be paid for additional work carried out as consultants.

The Company paid \$61,979 during the year ended 30 June 2017 to a company associated with former director Glenn Fowles for company secretarial and chief financial officer services. This arrangement was on arms-length terms.

The Company paid \$32,000 during the year ended 30 June 2017 to a company associated with director Mark Kerr for consulting services in relation to the sale of Contango Funds Management Limited. This arrangement was on arms-length terms.

3.3 Non-Executive Directors Retirement Benefits

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

3.4 Non-Executive Director Total Remuneration

Details of the Non-Executive Directors remuneration for 2016 and 2017 financial years are set out in the table below:

Director	FY17 From	FY17 To	Short-term Benefits	Retirement Benefits	TOTAL	2016 Duration	Short-term Benefits	Retirement Benefits	TOTAL
Mark Kerr	1/07/2016	30/06/2017	122,000	8,550	130,550	Full year	174,000	10,450	184,450
Trevor Carroll	27/03/2017	30/06/2017	6,849	651	7,500	N/a	-	-	-
Ken Poutakidis	27/03/2017	30/06/2017	6,849	651	7,500	N/a	-	-	-
Alistair Drummond	26/07/2016	30/06/2017	-	-	-	N/a	-	-	-
Ian Ferres	1/07/2016	27/03/2017	52,500	4,988	57,488	Full year	105,000	9,975	114,975
David Stevens	1/07/2016	27/03/2017	50,000	4,750	54,750	Full year	53,336	5,064	58,400
Glenn Fowles	1/07/2016	27/03/2017	47,500	4,512	52,012	Full year	-	-	-
TOTAL			285,698	24,102	309,800		332,336	25,489	357,825

Directors' interests in shares and options

Directors' relevant interests in ordinary shares and options of Contango MicroCap Limited are detailed below as at 30 June 2017. There have been no changes since this date to the date of this report.

	Ordinary Shares			Convertible Notes		
	Opening balance	Movement	30/06/17 Holding	Opening balance	Movement	30/06/17 Holding
Mark Kerr	55,651	3,425	59,076	296	-	296
Trevor Carroll	-	-	-	-	-	-
Alistair Drummond	-	-	-	-	-	-
Ken Poutakidis	-	-	-	-	-	-
David Stevens	2,214,839	73,705	2,288,544*	-	-	-
Ian Ferres	-	100,400	100,400*	-	-	-
Glenn Fowles	588,105	168,827	756,932*	-	200	200*

*Holdings as at 27 March 2017, being the date of cessation as a director

Consequences of Company's performance on shareholder wealth

The following table summarises company performance and key performance indicators:

	2017	2016	2015	2014	2013
Revenue (\$'000)	(12,346)	30,266	2,535	49,254	(6,998)
% increase in revenue	-140.8	+1,093.9	-94.9	+803.8	+74.0
Profit before tax (\$'000)	(13,894)	23,054	(3,964)	41,631	(12,702)
% increase in profit before tax	-160.3	+681.6	-109.5	+427.8	+59.7
Change in share price (%)	-10.0	-7.0	+4.9	+4.6	-1.0
Dividend paid to shareholders (\$'000)	10,529	10,109	13,607	12,278	12,664
Return of capital (\$'000)	-	-	-	-	-
Total remuneration of KMP	309,800	1,572,883	1,254,300	877,875	290,220
Total performance based remuneration	-	300,000	50,000	-	-

Signed in accordance with a resolution of the directors.

Mark Kerr
 Director
 Melbourne
 29 August 2017

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

In relation to the independent audit for the year ended 30 June 2017, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Contango Microcap Limited and the entities it controlled during the period.



B J BRITTEN
Partner

29 August 2017



PITCHER PARTNERS
Melbourne

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Revenue and other income			
Revenue	4	4,384	5,287
Fair value gain/(loss) on financial assets through profit and loss		(16,730)	24,923
Other income	4	-	56
		<u>(12,346)</u>	<u>30,266</u>
Less Expenses:			
Management fees		3,494	2,090
Employee benefits expense		-	1,235
Transaction costs		1,175	484
Amortisation expense	13	118	121
Finance costs		1,459	1,458
Legal, accounting and professional costs		646	344
Listing, custody and registry costs		447	322
Business administration expenses		216	-
Other expenses		671	1,158
		<u>8,226</u>	<u>7,212</u>
Profit/(loss) before income tax		(20,572)	23,054
Income tax benefit/(expense)	5	6,678	(7,269)
Net profit/(loss) from continuing operations		<u>(13,894)</u>	<u>15,785</u>
Add:			
Net profit after tax from discontinued operations	10(b)	-	1,465
Total comprehensive income for the year		<u>(13,894)</u>	<u>17,250</u>
Earnings/(Loss) from continuing operations			
Basic earnings per share	21	(8.4)	9.8
Diluted earnings per share	21	(8.4)	9.8

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

**Consolidated Statement of Financial Position
 As at 30 June 2017**

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	26,647	9,436
Receivables	8	1,501	17,266
Investments at fair value	9	170,991	199,501
Other financial assets	11	4	-
Total current assets		199,143	
Non-current assets			
Other financial assets	11	51	-
Total non-current assets		51	-
TOTAL ASSETS		199,194	226,203
LIABILITIES			
Current liabilities			
Payables	12	2,226	5,386
Tax payable	5	1,778	402
Total current liabilities		4,004	5,788
Non-current liabilities			
Payables	12	776	-
Borrowings	13	26,174	26,056
Deferred tax liability	5	7,485	15,895
Total non-current liabilities		34,435	41,951
TOTAL LIABILITIES		38,439	47,739
NET ASSETS		160,755	178,464
EQUITY			
Contributed capital	14	200,892	194,178
Reserves	15 (a)	20,058	13,896
Accumulated losses	15 (b)	(60,195)	(29,610)
Equity attributable to owners of Contango MicroCap Ltd		160,755	178,464

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

**Consolidated Statement of Changes in Equity
 For the year ended 30 June 2017**

Consolidated Entity	Contributed Equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance as at 30 June 2015	192,317	24,005	(46,860)	169,462
Profit 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:				
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	(29,610)	178,464
Loss for the year	-	-	(13,894)	(13,894)
Total comprehensive income for the year	-	-	(13,894)	(13,894)
Transfers during year	-	16,691	(16,691)	-
Transactions with owners in their capacity as owners:				
New shares issued	4,759	-	-	4,759
Options exercised	200	-	-	200
Shares bought-back	(185)	-	-	(185)
Dividend reinvestment	1,940	-	-	1,940
Dividends paid	-	(10,529)	-	(10,529)
	6,714	(10,529)	-	(3,815)
Balance as at 30 June 2017	200,892	20,058	(60,195)	160,775

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

**Consolidated Statement of Cash Flows
 For the year ended 30 June 2017**

	Notes	2017 \$'000	2016 \$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(6,415)	(5,572)
Interest paid to note holders		(1,459)	(1,458)
Sale of investments		185,379	130,304
Payment for investments		(173,704)	(121,576)
Dividends received		4,208	5,729
Interest received		286	200
Income tax paid		(356)	(76)
Net cash provided by operating activities	18(a)	<u>7,939</u>	<u>7,551</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net cash transferred to (from) discontinued operations		<u>13,087</u>	(151)
Net cash provided to (used in) investing activities		<u>13,087</u>	(151)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from repayment of related party loans		-	1,028
Proceeds from issue of new shares		4,959	-
Shares bought back from shareholders		(185)	-
Dividends paid net of amounts reinvested		<u>(8,589)</u>	(8,248)
Net cash used in financing activities		<u>(3,815)</u>	(7,220)
Net increase in cash and cash equivalents		17,211	180
Cash and cash equivalents at beginning of year	18(b)	<u>9,436</u>	9,256
Cash and cash equivalents at end of the year	18(b)	<u>26,647</u>	<u>9,436</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 Consolidated entity 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 address of Contango MicroCap Limited's registered office and principal place of business is Level 27, 35 Collins Street, Melbourne, Australia.

The financial report was authorised for issue by the directors on 29 August 2017.

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 consolidated 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 Company is an investment entity and therefore does not consolidate its subsidiaries, except for those subsidiaries whose main purpose and activities are providing services that relate to the Company's investment activities.

A subsidiary is an entity controlled by the Company. Control of an entity is achieved when the Company has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity (the Company) and its consolidated subsidiaries (those subsidiaries whose main purpose and activities are providing services that relate to the Company's investment activities).

The financial statements of consolidated subsidiaries 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, relating to transactions between entities within the consolidated group have been eliminated on consolidation. Subsidiaries are consolidated, where applicable, 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 consolidated subsidiaries 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 consolidated statement of financial position.

(g) 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.

(h) Provisions

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.

(i) 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 long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Long-term 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. All long-term employee benefit obligations are presented as non-current liabilities in the consolidated statement of financial position.

(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.

(j) Accounting standards issued but not yet effective at 30 June 2017*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 2018.

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. Although directors anticipate that the adoption of AASB 15 may have an impact on the Company's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

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.

(k) 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.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Financial Assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation by key management personnel.

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.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories or are designated as such on initial recognition. Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit or loss.

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

Financial liabilities

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

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

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.

(l) 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 consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated 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.

(m) Comparatives

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

(n) Rounding of amounts

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

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(e) for the details of the fair value measure key assumptions and inputs.

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, Contango Funds Management Limited, 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 consolidated statement of financial position 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 2017, the Company had no short-sold positions (2016: 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 Investment Manager and are reviewed on a quarterly basis by the Board.

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:

	2017	2016
	\$'000	\$'000
Securities designated at fair value through profit or loss	170,991	199,501
	170,991	199,501

(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 2017 (2016: nil).

The interest rate risk is measured using sensitivity analysis.

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

At 30 June 2017, cash and cash equivalents to the value of \$26,647,138 (2016: \$9,436,237) are the only financial instruments subject to interest rate risk. The weighted average interest rate applicable for the year was 1.2% (2016: 1.7%).

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 2017, the Company had exposure to 55 ASX Share Price Index futures contracts with a notional value of \$7,767,375 (2016: 0 contracts at an exposed value of \$0).

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 consolidated 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 Consolidated 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	1-3 months	3-12 months	12-60 months
	\$'000	\$'000	\$'000	\$'000
At 30 June 2017				
Payables	1,956	68	202	776
Tax payable	-	-	1,778	-
Borrowings	-	-	-	26,174
Total financial liabilities	<u>1,956</u>	<u>68</u>	<u>1,980</u>	<u>26,950</u>
At 30 June 2016				
Payables	5,386	-	-	-
Tax payable	-	-	402	-
Borrowings	-	-	-	26,056
Total financial liabilities	<u>5,386</u>	<u>-</u>	<u>402</u>	<u>26,056</u>

(e) Fair values of financial assets and financial liabilities

The carrying amounts of the Company's financial assets and financial liabilities in the consolidated statement of financial position are all at fair value.

For the years ended 30 June 2017 and 30 June 2016, 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 and redemption prices. 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 \$170,991,000 (2016: \$199,137,000) Level 1 and \$0 (2016: 364,000) Level 2 Financial Assets and Liabilities as at 30 June 2017. 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 \$12.0m (2016: \$14.0m).

NOTE 4: REVENUE	2017	2016
	\$'000	\$'000
Revenue comprises		
Dividends	4,098	5,087
Interest	286	200
	<u>4,384</u>	<u>5,287</u>
Other income comprises		
Write back of earn-out provision	-	56
	<u>-</u>	<u>56</u>

NOTE 5: INCOME TAX

	2017	2016
	\$'000	\$'000
(a) Components of tax expense/(benefit):		
Overprovision of prior year tax	(46)	-
Current tax	1,778	404
Deferred tax	(8,410)	7,372
	(6,678)	7,776
(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	(20,572)	23,054
Profit before tax from discontinued operations	-	1,972
Total profit/(loss) before income tax	(20,572)	25,026
Prima facie income tax payable on profit before income tax at 30% (2016: 30%)	(6,171)	7,507
Less tax effect of:		
- dividend income	(548)	(803)
- non-deductible expenditure	321	95
- capital gains tax on disposal of discontinuing operation	-	1,411
- tax losses not previously brought to account	(184)	(434)
Overprovision of prior year tax	(96)	-
Income tax expense/(benefit) attributable to profit	(6,678)	7,776
Income tax expense/(benefit) attributed to continuing operations	(6,678)	7,269
Income tax expense/(benefit) attributed to discontinued	-	507
	(6,678)	7,776
Deferred tax relates to the following:		
<i>Deferred tax assets</i>		
The balance comprises:		
Tax losses carried forward	-	-
Accruals	442	375
	442	375
<i>Deferred tax liabilities</i>		
The balance comprises:		
Financial assets at fair value through profit and loss	(7,829)	(16,154)
Income assessable in the future	(98)	(116)
	(7,927)	(16,270)
Net deferred tax liability	(7,485)	(15,895)
(c) Income tax expense/(benefit) included in tax payable comprises		
Opening balance	402	74
Over provision from prior year	(46)	-
Current year tax	1,778	404
Tax payments	(356)	(76)
	1,778	402

	2017 \$'000	2016 \$'000
(d) Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises		
(Increase)/decrease in deferred tax assets	(67)	707
Increase/(decrease) in deferred tax liabilities	(8,343)	6,665
	(8,410)	7,372

(e) Deferred tax asset of controlled entity not previously brought to account		
Revenue tax losses	16,315	16,490

NOTE 6: DIVIDENDS

(a) Dividends paid or declared

Interim dividend paid for current financial year at \$0.027 per share 50% franked at 30% tax rate (2016:\$0.026 per share 50% franked at 30% tax rate)	4,527	4,190
Final dividend paid for previous financial year at \$0.037 per share 50% franked (2016: \$0.037 per share 50% franked)	6,002	5,919
	10,529	10,109

The final dividend for the year ended 30 June 2017 has been declared at 3.9 cents per share – 50% franked. Dividend payments will be made on 13 October 2017.

(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 franking debits arising from payment of proposed dividends.

	722	632
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NOTE 7: CASH AND CASH EQUIVALENTS

Cash at bank and on deposit	26,647	9,436
	26,647	9,436

NOTE 8: RECEIVABLES

Unsettled sales	1,022	3,680
Related party loans	-	145
Other receivables	479	13,441
	1,501	17,266

NOTE 9: INVESTMENTS

Financial assets at fair value through profit and loss

Shares in listed entities	170,991	199,137
Units in managed funds	-	364
Investments at fair value through profit and loss	170,991	199,501

NOTE 10: DISCONTINUED OPERATIONS

(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 on 27 September 2016. 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 Funds 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 Funds 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:

(i) Financial performance information	2017	2016
	\$'000	\$'000
Revenue	-	5,472
Expenses	-	(4,999)
Profit/(loss) before income tax	-	473
Income tax expense	-	(139)
Profit/(loss) after income tax of discontinued operation	-	334
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
(ii) Cash flow information		
Net cash provided by / (used in) operating activities	-	(225)
Net cash provided by / (used in) investing activities	-	(455)
Net cash provided by / (used in) financing activities	-	2,202
Net cash flow	-	1,522
(iii) Carrying amount of assets and liabilities		
<i>Assets</i>		
Cash	-	-
Receivables	-	-
Property, plant and equipment	-	-
Goodwill	-	-
	-	-
<i>Liabilities</i>		
Payables	-	-
Net assets attributable to discontinued operation	-	-

	2017	2016
	\$'000	\$'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: OTHER FINANCIAL ASSETS

Deferred finance costs applicable to the discounted cashflow benefit arising from the deferred termination fee payment (refer Note 17)

Recognised over next 12 months	4	-
Recognised beyond next 12 months	51	-
	55	-

NOTE 12: PAYABLES – Current and Non-current

CURRENT

Unsettled purchases	676	3,439
Related party loans	-	13
Other payables	1,550	1,934
Total current payables	2,226	5,386

NON-CURRENT

Other payables	776	-
Total non-current payables	776	-

Total payables

	3,002	5,386
--	--------------	-------

NOTE 13: BORROWINGS

There were 26,500 convertible notes outstanding at 30 June 2017 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 2017, the face value of the convertible notes on issue was \$26.5 million (2016: \$26.5 million). 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	181	60
Add amortisation of costs for period	118	121
Unsecured convertible notes at amortised cost	26,174	26,056

NOTE 14: CONTRIBUTED CAPITAL

(a) Issued and paid up capital

	2017	2016
Ordinary shares fully paid	168,289,506	162,040,056

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

(b) Movements in shares on issue

	2017		2016	
	No of Shares	\$'000	No of Shares	\$'000
Beginning of the financial year	162,040,056	194,178	159,966,296	192,317
Issued during the year:				
– Shares issued	4,431,474	4,759	-	-
– Shares bought-back	(202,000)	(185)	-	-
– Dividend reinvestment scheme	1,839,687	1,940	2,073,760	1,861
– Shares issued from options exercise	180,289	200	-	-
End of the financial year	168,289,506	200,892	162,040,056	194,178

(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

At 30 June 2017 there are no options on issue (2016: 557,052). On 20 November 2016, 180,289 options were exercised at \$1.106 per share. The remaining 376,763 unlisted options expired on 30 November 2016.

(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	2017	2016
		\$'000	\$'000

NOTE 15: RESERVES AND ACCUMULATED LOSSES

Dividend reserve	15(a)	20,058	13,896
Accumulated losses	15(b)	(60,195)	(29,610)

(a) Dividend reserve

(i) Nature and purpose of reserve

Monthly profits and losses are transferred to accumulated losses. Profits are subsequently transferred to the dividend reserve to facilitate dividend payments.

(ii) Movements in reserve

Balance at the beginning of year		13,896	24,005
Transfer from retained earnings/(accumulated losses)		16,691	-
Total available for appropriation		30,587	24,005
Dividends paid		(10,529)	(10,109)
Balance at end of year		20,058	13,896

(b) Accumulated losses

Balance at the beginning of year	(29,610)	(46,860)
Transfer to dividend reserve	(16,691)	-
Profits/(Losses) attributable to members of Contango MicroCap Limited	(13,894)	17,250
Balance at end of year	(60,195)	<u>(29,610)</u>

NOTE 16: INTERESTS IN SUBSIDIARIES

Subsidiaries of the group	Country of Incorporation	Ownership interest held by the group	
		2017 %	2016 %
Bellwether Partners Limited	Australia	100	100
Contango Capital Partners Pty Ltd	Australia	100	100
Contango Income Generator Limited *	Australia	-	42

* Contango Income Generator Limited (CIE) was a dormant entity wholly owned by Contango MicroCap Limited (CTN) up until 14 August 2015 when CIE listed on the ASX at which time CTN contributed further capital amounting to 42% ownership in CIE. Between 4 November 2016 and 30 December 2016 the Company sold the 30 million shares that it held in CIE. Shares were sold for \$0.94 per share, realising a net loss of \$1,781,718. CIE was not consolidated as only those subsidiaries whose main purpose and activities are providing services that relate to the Company's investment activities are to be consolidated in accordance with AASB 10(31).

NOTE 17: INVESTMENT MANAGER

The Company has appointed the Investment Manager, Contango Funds Management Limited, pursuant to an Investment Management Agreement.

During the 2017 financial year, the Company appointed and subsequently ceased arrangements with a second manager, OC Funds Management Pty Limited, via Copia Investment Partners Limited (OCFM). OCFM was entitled to a management fee 0.8% per annum (excluding GST) and a performance fee, calculated quarterly, of 20% of the value by which the portfolio investment performance exceeds the S&P/Small Ordinaries Accumulation Index, subject to a high watermark and positive return for the preceding 12 month period. The Company has also agreed to pay OCFM a termination fee totalling \$1,046,250 payable quarterly until March 2022. During the 2017 financial year, the Company paid OCFM fees of \$71,723. No performance fee was payable.

The Investment Manager is entitled to a management fee of:

- 1.25% per annum (excluding GST) for the Company's portfolio valued at less than or equal to \$200 million; plus
- 1.00% per annum (excluding GST) on the increment of the Company's portfolio valued above \$200 million.

Until March 2022, in respect of the above management fee:

- the Investment Manager has agreed to forgo a management fee on the proportion of the portfolio that was transferred to the Investment Manager from OCFM relative to the entire portfolio value at the time of transfer;
- the \$200 million hurdle is adjusted down by the proportionate value of the portfolio transferred from OCFM and in respect of which the Investment Manager is not receiving a fee.

The Company has agreed to pay the Investment Manager the performance fee that would have otherwise been payable to the OCFM on the proportion of the portfolio that was transferred from OCFM to the Investment Manager.

For the 2017 financial year, the Company paid to the Investment Manager management fees of \$2,431,618. No performance fee was payable.

NOTE 18: CASH FLOW INFORMATION

	2017	2016
	\$'000	\$'000
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit/(loss) after income tax	(13,894)	17,250
Non-Cash Items		
Profit from discontinued operations	-	(1,972)
Depreciation and amortisation	118	121
Changes in assets and liabilities		
Decrease/(increase) in investments	28,510	(15,632)
Decrease/(increase) in receivables	2,665	(2,224)
Increase in other financial assets	(55)	-
Increase/(decrease) in payables	(2,371)	2,409
Increase in income tax payable	1,376	328
Increase in provisions	-	(101)
Increase/(decrease) in deferred income tax liability	(8,410)	7,372
Net cash flow from operating activities	7,939	7,551

(b) Reconciliation of cash

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

Cash at bank and on deposit	26,647	9,436
Closing cash balance	26,647	9,436

NOTE 19: COMMITMENTS

The Company regularly commits to underwriting activities in respect of public share issues. At 30 June 2017 the potential financial amount that the Company may be liable for is \$0 (2016: \$0). As disclosed in note 17 above, the Company has an on-going financial commitment to OC Funds Management Pty Ltd until March 2022.

NOTE 20: CONTINGENCIES

As at 30 June 2017, the Company had no contingencies (2016: nil)

NOTE 21: EARNINGS PER SHARE

	2017	2016
	\$'000	\$'000
Reconciliation of earnings used in calculating earnings per share:		
Profit/(loss) from continuing operations	(13,894)	15,785
Profit from discontinued operations	-	1,465
Earnings used in calculating basic earnings per share	(13,894)	17,250
Earnings used in calculating diluted earnings per share	(13,894)	17,250
No of Shares No of Shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	166,307,410	161,151,274
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	166,307,410	161,151,274

NOTE 22: DIRECTORS AND EXECUTIVES COMPENSATION	2017	2016
	\$	\$
<i>Compensation by category</i>		
Short-term employment benefits	285,698	1,318,842
Post-employment benefits	24,102	94,041
Termination benefits	-	160,000
Other long-term benefits	-	-
Share-based payments	-	-
	309,800	1,572,883

NOTE 23: AUDITOR'S REMUNERATION	2017	2016
	\$	\$
Amounts paid and payable to Pitcher Partners for:		
<u>Audit and other assurance services</u>		
Audit and review of financial reports	66,000	88,200
Other assurance services	-	-
Total remuneration for audit and other assurance services	66,000	88,200
<u>Other non-audit services</u>		
Advisory services	12,620	35,070
Taxation services	32,950	40,910
Total remuneration for non-audit services	45,570	75,980
Total remuneration of Pitcher Partners	111,570	164,180

NOTE 24: RELATED PARTY DISCLOSURES

The Company paid \$61,979 during the year ended 30 June 2017 to a company associated with former director Glenn Fowles for company secretarial and chief financial officer services. This arrangement was on arms-length terms.

The Company paid \$32,000 during the year ended 30 June 2017 to a company associated with director Mark Kerr for consulting services in relation to the sale of Contango Funds Management Limited. This arrangement was on arms-length terms.

NOTE 25: PARENT ENTITY INFORMATION

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

	2017	2016
	\$'000	\$'000
(a) Summarised statement of financial position		
Assets	199,245	226,203
Liabilities	38,439	47,739
Net assets	160,806	178,464
Equity	160,806	178,464
(b) Summarised statement of comprehensive income		
Profit/(loss) for the year	(13,895)	17,250
Other comprehensive income for the year	-	-
Total comprehensive income/(loss) for the year	(13,895)	17,250

NOTE 26: SEGMENT INFORMATION

During the year ended 30 June 2017 the consolidated entity only operated in one segment being the investment into microcap companies listed on the Australian Securities Exchange.

NOTE 27: SUBSEQUENT EVENTS

The final dividend for the year ended 30 June 2017 was declared on 29 August 2017. Refer note 6 for details.

There has been no other matter or circumstance, which has arisen since 30 June 2017 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2017, of the Company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2017, of the Company.

The directors declare that the financial statements and notes set out on pages 11 to 33 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 2017 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 function and the chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2017.

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



Mark Kerr
Director
Melbourne
29 August 2017

CONTANGO MICROCAP LIMITED
47 107 617 381

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Contango Microcap Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

CONTANGO MICROCAP LIMITED
47 107 617 381

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

Key Audit Matter	How our audit addressed the key audit matter
<p>Fair value loss on financial assets through profit and loss <i>Refer Note 3</i></p> <hr/> <p>Revenue recognition in relation to the fair value loss on financial assets through profit and loss is calculated with reference to the fair value of investments at balance date. Investments measured at their fair value at each reporting date with any increment or decrement in fair value from the prior period being recognised as fair value gain/loss on financial assets through profit and loss.</p> <p>We focused on this area as a key audit matter due to the significance of fair value gain on financial assets through profit and loss on both profit/loss and the valuation of the investment portfolio at balance date.</p>	<p>Our procedures included, amongst other things:</p> <ul style="list-style-type: none"> • Understanding the key controls within the process for recording fair value gains/losses on financial assets through profit and loss; • Performing a reconciliation of the fair value gains/losses on financial assets through profit and loss for the year ended 30 June 2017; • Agreeing components of the reconciliation to supporting documentation from the custodian, as obtained from the fund's manager; • Assessing the GS007 report on internal controls for the fund's managers, Contango Funds Management Limited and OC Funds Management Limited; • Assessment of the GS007 report on internal controls for the fund's custodian, Asset Servicing - National Australia Bank Limited

Other Information – The annual report is not complete at the date of the audit report

The directors are responsible for the other information. The other information comprises the directors' report which was obtained as at the date of our audit report, and any additional other information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgment to determine the appropriate action to take.

CONTANGO MICROCAP LIMITED
47 107 617 381

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

CONTANGO MICROCAP LIMITED
47 107 617 381

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 9 of the directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of Contango Microcap Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards. 3



B J BRITTEN
Partner



PITCHER PARTNERS
Melbourne

29 August 2017

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)
Trevor Carroll
Alistair Drummond
Ken Poutakidis
Adrian Fitzpatrick

Company secretary

Hari Morfis

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 2017 the twenty largest holders of the Company's ordinary shares and convertible notes are listed below:

Ordinary Shareholders			Convertible Note Holders		
Rank	Registered name	Ord Shares %	Rank	Registered name	Conv Notes %
1	RBC INVESTOR SERVICES AUST NOM P/L <VFA A/C>	8,030,579 4.78	1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	28,960 10.93
2	MR VICTOR JOHN PLUMMER	4,000,000 2.38	2	FARALLON CAPITAL PTY LTD <NUNN INVESTMENT A/C>	23,500 8.87
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,107,175 1.85	3	J P MORGAN NOMINEES AUSTRALIA LIMITED	17,612 6.65
4	DAVID IAN STEVENS	1,468,835 0.87	4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	15,370 5.80
5	BECK HAVAS PTY LTD <THE HAVAS FAMILY S/F A/C>	1,252,707 0.75	5	CITICORP NOMINEES PTY LIMITED	12,500 4.72
6	JACANA GLEN PTY LTD <LARKING S/FUND NO 2 A/C>	1,104,645 0.66	6	INVESTMENT MGMT CO P/L <VANTAGE INVEST FUND A/C>	11,000 4.15
7	CLIMAX SUPER PTY LTD <CLIMAX SUPERFUND A/C>	797,311 0.47	7	THE POLICE ASSOCIATION	10,000 3.77
8	MR JVC & MRS SL GUEST <GUEST FAMILY S/FUND A/C>	745,636 0.44	8	KOOYONGKOOT P/L <LAUREN MATHIESON FAMILY A/C>	7,500 2.83
9	NETWEALTH INVESTMENTS LTD <SUPER SERVICES A/C>	742,034 0.44	9	SOFIGO INVESTMENTS PTY LTD	3,000 1.13
10	MR DG & MRS GE MACKENZIE	697,000 0.41	10	TJMW HOLDINGS PTY LTD <TJMW A/C>	2,950 1.11
11	ANGUS MAC PTY LTD	671,509 0.40	11	DR GP & MRS JE DORAHY <DORAHY SUPER FUND A/C>	2,763 1.04
12	GRAHAM EVANS INVEST P/L <GRAHAM EVANS S/FUND A/C>	620,000 0.37	12	CSALT SUPER PTY LTD <CSALT SUPER A/C>	2,190 0.83
13	BAGBO PTY LTD	619,343 0.37	13	MR CA & MRS L HARRISON <HARBINGER S/F A/C>	2,090 0.79
14	G H KLUGE & SONS LTD	600,000 0.36	14	BJM INCOME INVESTMENTS PTY LTD	2,000 0.75
15	MRS IDA RUBIN <RUBIN S/F A/C>	550,000 0.33	15	GEMLINE PTY LTD <S & A SIMSON SUPER FUND A/C>	2,000 0.75
16	HORTON PTY LIMITED	524,000 0.31	16	JEROBOAM PTY LIMITED	2,000 0.75
17	MR WA & MRS LS LAISTER <THE HYLEROD SUPER FUND A/C>	523,877 0.31	17	MR PL & MRS RA POLSON <POLSON FAMILY SUPER A/C>	2,000 0.75
18	NULIS NOMS (AUST) LTD <NAVIGATOR MAST PLAN SETT A/C>	514,397 0.31	18	MR DAMIAN FRANCIS PRETTY	1,994 0.75
19	MRS TRACY FRASER	500,000 0.30	19	INVIA CUSTODIAN P/L <CHATSWORTH INVESTMENTS A/C>	1,980 0.75
20	KEISER INVESTMENTS P/L <GANN FAMILY RETIREMENT A/C>	500,000 0.30	20	CHAPTER TEN PTY LTD <CONEX 2 SUPERFUND A/C>	1,950 0.74
		27,569,048 16.40			153,359 57.87

There were no substantial shareholders advised to the Company at 31 July 2017.

Range of security holders

At 31 July 2017 there were 5,818 holdings of ordinary shares and 306 holders of March 2016 5.5% unsecured convertible notes. These holdings were distributed as follows:

	Share holdings	Note holdings
1 - 1,000	463	276
1,001 - 5,000	1,012	22
5,001 - 10,000	1,094	2
10,000 - 100,000	3,031	6
100,000 and over	218	-
Total holders	5,818	306
Average holding size	28,891	866

There were 278 shareholdings of less than a marketable parcel of \$500 (532 shares) and no noteholders with less than a marketable parcel of 5 notes.

B. ON-MARKET BUY BACK

The Company commenced a buy-back on 19 June 2017. Between 19 June 2017 and 30 June 2017, the Company bought back a total of 202,000 ordinary shares for consideration of \$184,757.

C. INVESTMENTS

As at 30 June 2017, the Company held investments in the following companies:

Code	Name	Code	Name	Code	Name
9SP	9 SPOKES INTERNATIONAL	GCY	GASCOYNE RESOURC	PEA	PACIFIC ENERGY LTD
AD1	APPLYDIRECT LTD	GNG	GR ENGINEERING SERV	PME	PRO MEDICUS LIMITED
AEF	AUST ETHICAL INVEST	GSS	GENETIC SIGNATUR	PNV	POLYNOVO LTD
AHX	APIAM ANIMAL HEALTH	GTK	GENTRACK GROUP LTD	PPS	PRAEMIUM LTD
AMA	AMA GROUP LTD	GXY	GALAXY RES LTD	PSI	PSC INSURANCE GROUP
ASB	AUSTAL LIMITED	HAV	HAVILAH RESOURCES	QMS	QMS MEDIA LTD
ASL	AUSDRILL LTD	HLO	HELLOWORLD TRAVEL	RAN	RANGE INTERNATIONAL
ATS	AUS OIL AND GAS	HPI	HOTEL PROPERTY I	RHL	RURALCO HOLDINGS LTD
AVB	AVANCO RESOURCES LTD	HUB	HUB24 LTD	RVR	RED RIVER RESOURCES
AXP	AIRXPANDERS INC-CDI	IDT	IDT AUSTRALIA LTD	RXP	RXP SERVICES LTD
BAT	BATTERY MINERALS LTD	IDZ	INDOOR SKYDIVING	SFL	SPRING FG LTD
BDR	BEADELL RESOURCES	IHL	IMPRESSION HEALT	SIV	SILVER CHEF LTD
BLK	BLACKHAM RESOURCES	IMD	IMDEX LIMITED	SLC	SUPERLOOP LTD
BOE	BOSS RESOURCES LTD	JACMIN	JACANA MINERALS LTD	SPZ	SMART PARKING LTD
CAT	CATAPULT GRP INT	JKL	JUSTKAPITAL LIMITED	SSM	SERVICE STREAM LTD
CDP	CARINDALE PROP TRUST	LAU	LINDSAY AUSTRALIA	TAW	TAWANA RESOURCES NL
CGL	CITADEL GROUP LT	LHC	LIFEHEALTHCARE G	TFG	TOTAL FACE GROUP LTD
CGS	COGSTATE LTD	LIC	LIFESTYLE COMM LTD	TGP	360 CAPITAL GROUP
CIEO	CONTANGO INC GEN OPTS	MAI	MAINSTREAMBPO LTD	TLG	TALGA RESOURCES LTD
CLQ	CLEAN TEQ HOLDINGS	MBDE	MBD ENERGY LTD PLACE	UCW	UCW LIMITED
CLV	CLOVER CORP LTD	MGX	MOUNT GIBSON IRON	VEE	VEEM LIMITED
COE	COOPER ENERGY LTD	MNF	MNF GROUP LTD	VEE	VEEM LIMITED
DN8	DREAMSCAPE NETWO	MOD	MOD RESOURCES LTD	VLW	VILLA WORLD LTD
EAR	ECHO RESOURCES LTD	MTO	MOTORCYCLE HOLDINGS	VTI	VISIONEERING TEC INC
ELK	ELK PETROLEUM LTD	MYS	MYSTATE LTD	WAF	WEST AFRICAN RES LTD
EMC	EMEFCY GROUP LTD	MYX	MAYNE PHARMA GRO	XIP	XENITH IP GROUP LTD
EML	EML PAYMENTS LTD	NEA	NEARMAP LTD	YOW	YOWIE GROUP LTD
ENN	ELANOR INVESTOR	OCA	OCEANIA HEALTHCA	ZEN	ZENITH ENERGY LTD
ESH	ESPORTS MOGUL	ORE	OROCOBRE LTD	ZERLT	ZERO LATENCY LTD
FID	FIDUCIAN GRP LTD	PAN	PANORAMIC RESOURCES	SPIU17	SFE SPI 200 FUT 0917

D. TRANSACTION DATA

Over the 12 months ended 30 June 2017, the Company executed 998 purchase transactions and 1,022 sale transactions. The total brokerage paid or accrued during this period was \$1,174,673.