

20 October 2017

The Manager
ASX Market Announcements
Australian Securities Exchange Limited
Melbourne VIC 3000

Dear Manager,

Contango MicroCap Limited: Change of Investment Manager, board and company secretary changes

Contango MicroCap Ltd (**CTN** or the **Company**) (ASX:**CTN**) wishes to advise of a change in its investment manager. CTN has today consented to the assignment of the Investment Management Agreement (**IMA**) from Contango Funds Management Limited (a subsidiary of Contango Asset Management Limited) (**CGA**) to NAOS Asset Management Limited (**NAOS**).

About NAOS Asset Management

NAOS is a specialist fund manager that currently manages two other listed investment companies (**LICs**), NAOS Emerging Opportunities Company (ASX:**NCC**) and NAOS Absolute Opportunities Company (ASX:**NAC**). NAOS, led by its Managing Director and Chief Investment Officer Sebastian Evans, has proven itself to be a consistently strong performing fund manager with a high conviction, long term, value driven approach to investing.

NAOS specialise in providing genuine, concentrated exposure to emerging, small and mid-cap companies with an industrial focus, and view success as achieving returns for shareholders, over a five year period, better than and without correlation to the broader market and with less risk of permanent capital loss.

NAOS Managing Director and Chief Investment Officer Sebastian Evans said “We are excited to share our investment philosophy with CTN shareholders, we believe this will provide shareholders with the greatest opportunity to realise positive absolute returns in the form of capital growth and growing income generation over the long term.”

Evans also noted “we [NAOS] look forward to investing alongside CTN shareholders in a meaningful way, it’s paramount that the interests of our shareholders are well aligned with our own. We have significant holdings across both NCC and NAC, and we will treat CTN no differently.”

About the new Investment Management Agreement

The terms of the current IMA are assigned with effect from today, however it is proposed that, subject to shareholder approval, the existing IMA is terminated and CTN and NAOS enter into a new Investment

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Management Agreement to govern the terms of NAOS' appointment as manager going forward. CTN shareholders will have the opportunity to approve the new Investment Management Agreement at the upcoming Annual General Meeting (**AGM**) on 28 November 2017.

CTN and NAOS are finalising the proposed terms of the new Investment Management Agreement. A detailed summary of the material terms of the new Investment Management Agreement will be provided to shareholders in the notice of meeting for the AGM, however some highlights of the proposed new IMA include a reduction in management fee from 1.25% to 1.15% and the introduction of a performance fee to further align the interests of shareholders and the Manager.

In addition, the Company considers it appropriate for CTN to change its strategy to allow for investment in small cap stocks with larger market capitalisations than under the present agreement.

As a result of these changes, the Company will also request shareholders to approve a change of its name to NAOS Small Cap Opportunities Company Limited to reflect the change in manager and revised mandate objectives.

As part of the transaction NAOS has indicated an intention to take a significant shareholding in CTN consistent with its approach with respect to the other LICs it manages.

New CTN Board Appointments

Concurrent with this transaction, CTN has today appointed Mr Sebastian Evans, Managing Director and Chief Investment Officer, NAOS Asset Management Limited, and Mr Warwick Evans, Chairman, NAOS Asset Management Limited to the Board of CTN.

Mr Sebastian Evans is the Managing Director and Chief Investment Officer of NAOS Asset Management Limited. He is also a Director of the two NAOS Listed Investment Companies; the NAOS Emerging Opportunities Company (ASX: **NCC**) and the NAOS Absolute Opportunities Company (ASX: **NAC**), and has been the Chief Investment Officer of both strategies since their inception. Sebastian holds a Masters of Applied Finance majoring in Investment Management (MAppFin), and a Bachelor's Degree in Commerce, majoring in Finance and International Business. Sebastian is also the major shareholder in NAOS Asset Management Limited

Mr Warwick Evans has over 35 years of equity markets experience serving as Managing Director of Macquarie Equities (Globally) from 1991 to 2001 as well as being an Executive Director for Macquarie Group. He also served as Chief Executive Officer of the Newcastle Stock Exchange from 2000 to 2003. Warwick was Founding Chairman and Chief Executive Officer and Chairman of NSX Limited and Chairman of the Australian Stockbrokers Association. He holds a Bachelor's degree in Commerce majoring in Economics from the University of New South Wales. Warwick is also a Director of NCC and NAC.

Mr Alistair Drummond, Senior Portfolio Manager of CGA, has today resigned from his role as a Director on the Board of CTN.

In addition, Mr Rajiv Sharma, is appointed as Co-Company Secretary of CTN. Mr Sharma is Senior Legal Counsel of NAOS Asset Management Limited, and also the Company Secretary of NAOS Emerging Opportunities Company Limited and NAOS Absolute Opportunities Company Limited. The Company's current Company Secretary, Ms Hari Morfis, will work with Mr Sharma to ensure a smooth transition in the lead up to the Company's AGM. Further, CGA and NAOS will work together to ensure an orderly transition of the investment management and administrative services of CTN.

Board Considerations

The Company was informed by CGA that it had engaged in discussions with NAOS with a view to assign the investment management agreement of CTN to NAOS. The Company has not been involved in the commercial discussions between CGA and NAOS, but its consent to such an assignment is required under the terms of current IMA. In providing its consent, the Board carefully considered a broad range of criteria including:

- the relative performance of NAOS and CGA;
- the relative fee structures under the current IMA and the terms proposed by NAOS;
- the alignment between management returns and shareholder returns;
- the financial standing of NAOS, its regulatory framework and its reputation and standing in the market.

All of these measures were considered relative to CTN's existing arrangement with CGA as well as against the broader market for LIC managers.

The Board considers the proposed transition to NAOS to be in the best interests of CTN shareholders. Notwithstanding, shareholders will be given the opportunity to vote on the proposed IMA, change of investment strategy and board composition at the upcoming AGM. A detailed summary of the material terms of the proposed IMA will be made available for shareholder consideration in the Notice of Meeting.

Save for costs associated with obtaining independent legal advice to ensure CTN shareholder interests are protected, costs associated with the transition are to be borne by CGA and NAOS.

Yours faithfully,

The Board of Directors
Contango MicroCap Limited

For further information in relation to this announcement please contact the Company, or otherwise NAOS directly via email at ctn@naos.com.au or by phone on (02) 9002 1576. NAOS also intends to hold a national roadshow through November that will be accessible for all CTN shareholders to highlight the key changes NAOS is proposing to maximise CTN shareholder returns over the long term.