

2 May 2017

Dear Contango MicroCap Shareholder,

The board of Contango MicroCap Limited (the **Company** or **Contango MicroCap**) would like to take the opportunity to thank you, our valued shareholders, for the support, engagement and feedback we have received from you leading up to and following the recent Extraordinary General Meeting. The large number of shareholders that voted is testament to the fact that shareholders have strong views as to material decisions about the running of their Company. The new board is focused solely on shareholder value and we welcome the opportunity to provide you with this update.

### **Reduction in Directors' Fees**

We are pleased to advise that the new board has significantly reduced directors' fees with immediate effect.

The fees being paid to each incoming non-executive Director, Trevor Carroll and Ken Poutakidis, are \$30,000 per annum. The fee of Chairman, Mark Kerr, has been reduced to \$60,000 per annum. Non-executive director, Alistair Drummond, does not receive fees for his role. No additional fees will be paid for membership of board committees. We are pleased that this significant reduction in fees brings Contango MicroCap into line with best practice listed investment company (**LIC**) remuneration arrangements.

### **Appointment of Second Manager**

Since listing in 2004, the Company has successfully established itself as the largest microcap LIC on the ASX. The Company's mandate has been to invest in ASX listed entities with a market cap of up to \$350 million and, like nearly all Australian LICs, it has been operating with a single investment manager, being Contango Asset Management Limited.

The board believes that this investment management arrangement continues to serve the Company well under portfolio manager Bill Laister and CIO George Boubouras.

In December 2016, a majority of the previous board members approved a proposal to make significant changes in the strategic and operational direction of the Company, making it a multi-manager operation, by appointing OC Funds Management (the **Second Manager**) in February 2017. Shareholder approval was not sought before appointing the Second Manager.

In the current board's opinion, the arrangement with the Second Manager represents a material departure from the Company's stated investment objective. The current board is in the process of considering how both portfolios are supervised and how the overlap of investments and compliance arrangements are best addressed. Accordingly, the board is presently undertaking a review of the Second Manager arrangement to understand the options available to it and will keep shareholders informed of any further developments in this regard.

### **Corporate Governance and Shareholder Engagement**

The board is committed to best practice corporate governance and engagement with shareholders.

The board welcomes shareholder feedback and aims to improve the level of shareholder communication with more regular updates and portfolio commentaries. Shareholders can send their enquiries to [info@contangomicrocap.com.au](mailto:info@contangomicrocap.com.au) or phone (03) 9222 2333.

We look forward to working in the best interests of shareholders as a whole and thank you for your ongoing support of Contango MicroCap.

Yours faithfully,

the Board of Contango MicroCap Limited



Mark Kerr, Chairman



Trevor Carroll



Ken Poutakidis



Alistair Drummond