CONTANGO CAPITAL PARTNERS TARGET'S STATEMENT

in response to the off-market takeover bid by

CONTANGO MICROCAP LIMITED

ABN 47 107 617 381 (ASX: CTN)

to acquire all of your shares in

CONTANGO CAPITAL PARTNERS LIMITED ABN 52 124 184 765

The Independent Directors of Contango Capital Partners Limited

recommend that you

ACCEPT

the Contango MicroCap Limited Offer in the absence of a superior proposal

THIS IS AN IMPORTANT DOCUMENT THAT REQUIRES YOUR IMMEDIATE ATTENTION. You should read this document in its entirety before making any investment decisions. If you

You should read this document in its entirety before making any investment decisions. If you are unsure how to deal with the Offer, you should seek independent financial, taxation or other professional advice.

Legal Adviser:	
Maddocks	

IMPORTANT NOTICES

This Target's Statement has been issued by Contango Capital Partners Limited ABN 52 124 184 765 (CCPL) under Part 6.5, Division 3 of the Corporations Act in response to the Contango MicroCap Limited ABN 47 107 617 381 (CTN) Offer as set out in its Bidder's Statement. You should read this Target's Statement in its entirety.

A number of defined terms are used in this Target's Statement. They are explained in Section 9.1 of this Target's Statement.

All references to time in this Target's Statement are to time in Melbourne, Australia.

This Target's Statement is dated 23 January 2013, and a copy of this Target's Statement was lodged with ASIC on 23 January 2013. Neither ASIC nor any of its officers takes any responsibility for the contents of this Target's Statement.

This Target's Statement does not take into account the individual investment objectives, financial situation or needs of any particular CCPL Shareholder or any other person. CCPL Shareholders should seek independent financial, taxation or other professional advice before making a decision whether to accept or reject the Offer.

This Target's Statement may include forward-looking statements which are based on CCPL's current expectations and assumptions about future events or its current intentions as at the date of this Target's Statement. Statements that are not historical facts should be considered as forward-looking statements. Such statements are subject to risks, uncertainties and assumptions that could cause actual results and events to differ materially from the expectations, assumptions or intentions described in such forward-looking statements. These factors include, among other things, matters beyond the control of CCPL, not yet known to CCPL or not currently considered material by CCPL. You should not place undue reliance on forward-looking statements.

Chairman's Letter

Dear CCPL Shareholder

CTN Takeover Offer

On 7 January 2013, Contango MicroCap Limited ABN 47 107 617 381 (CTN) announced an off-market unconditional takeover bid for all the issued Shares in Contango Capital Partners Limited ABN 52 124 184 765 (CCPL) that CTN does not own at \$0.95 per Share.

Two Directors, Mr David Stevens and Mr Glenn Fowles, are common directors in CCPL and CTN. Accordingly, CCPL immediately established an Independent Takeover Committee comprising me and Mr Gregory A Bundy as Independent Directors with full power to deal with all aspects of the takeover bid.

Each Independent Director recommends that you ACCEPT the Offer in the absence of a superior proposal because:

- The Offer is "fair and reasonable" in the opinion of Lonergan Edwards & Associates Limited, the Expert appointed by the Independent Directors to provide an opinion on the Offer
- The Offer is 10 cents above the top of the valuation range of 73 85 cents per Share calculated by the Expert
- The Offer is at a premium of about 12% over CCPL's 31 December 2012 net tangible asset (NTA) value per share of approximately 85 cents
- CCPL is now a subsidiary of CTN, so it is extremely unlikely that a third party will make a takeover offer for the shares in CCPL
- CCPL was delisted from ASX Limited in June 2012, so there is no longer a public market for CCPL's shares
- CCPL is legally unable to invite shareholders to offer their shares to it, so it has become extremely difficult for CCPL shareholders to dispose of their shares at all, much less at 95 cents
- If you accept the Offer, CTN will pay you promptly in cash

A copy of the Expert's Report is Attachment 1 to this Target's Statement.

Please read this Target's Statement carefully and seek your own independent financial, taxation or other professional advice.

We will keep you informed of any material developments in relation to the Offer.

Yours sincerely

William J Beerworth

Independent Non-Executive Director and Chairman

Contango Capital Partners Limited

1.	INDEPENDENT DIRECTORS' RECOMMENDATIONS AND WHY YOU SHOU ACCEPT THE OFFER IN THE ABSENCE OF A SUPERIOR PROPOSAL	
2.	REASONS TO ACCEPT THE OFFER	7
3.	FREQUENTLY ASKED QUESTIONS	8
4.	OVERVIEW OF THE OFFER	11
5.	YOUR CHOICES AND IMPORTANT CONSIDERATIONS	14
6.	INFORMATION ABOUT CCPL	17
7.	INFORMATION ABOUT CCPL DIRECTORS	21
8.	ADDITIONAL INFORMATION	23
9.	DEFINED TERMS AND INTERPRETATION	26
10.	AUTHORISATION AND APPROVAL OF TARGET'S STATEMENT	29

1. INDEPENDENT DIRECTORS' RECOMMENDATIONS AND WHY YOU SHOULD ACCEPT THE OFFER IN THE ABSENCE OF A SUPERIOR PROPOSAL

1.1 Carefully consider your position

The Independent Directors recommend that CCPL Shareholders should:

- carefully read CTN's Bidder's Statement, this Target's Statement and the Expert's Report in their entirety;
- consider your own investment objectives, financial situation and needs:
- seek independent financial, taxation or other professional advice, if necessary;
- consider your choices as a CCPL Shareholder; and
- ACCEPT the offer in the absence of a superior proposal.

1.2 Independent Directors' recommendation

The Independent Directors **recommend** that CCPL Shareholders **accept the Offer** in the absence of a superior proposal.

1.3 Rationale for Independent Directors' Recommendation

In assessing the Offer, the Independent Directors have had regard to a number of considerations, including the information set out in the Bidder's Statement and the opinion and reasoning of the Expert.

In summary, the Independent Directors have made their recommendation for the following reasons:

- The Offer is "fair and reasonable" in the opinion of Lonergan Edwards & Associates Limited, the Expert appointed by the Independent Directors to provide an opinion on the Offer;
- The Offer is 10 cents above the top of the valuation range of 73 -85 cents per Share calculated by the Expert;
- The Offer is at a premium of about 12% over CCPL's 31 December 2012 net tangible asset (NTA) value per share of approximately 85 cents;
- CCPL is now a subsidiary of CTN, so it is extremely unlikely that a third party will make a takeover offer for the shares in CCPL;
- CCPL was delisted from ASX Limited in June 2012, so there is no longer a public market for CCPL's shares;
- CCPL is legally unable to invite shareholders to offer their shares to it, so it has become extremely difficult for CCPL shareholders to dispose of their shares at all, much less at 95 cents; and

If you accept the Offer, CTN will pay you promptly in cash.

1.4 Overview of the choices open to CCPL Shareholders

A CCPL Shareholder may choose to:

- accept the Offer in respect of all of your CCPL Shares;
- take no action at the present time and review the situation at a later stage; or
- *reject* the Offer by doing nothing.

For further information on your choices, refer to Section 5 of this Target's Statement.

1.5 Intentions of CCPL Directors

Neither of the Independent Directors has a Relevant Interest in any CCPL Shares.

For the reasons discussed in Section 7 of this Target's Statement, David Stevens and Glenn Fowles (who are directors of CTN) do not believe it is appropriate to make a recommendation, and do not make a recommendation, in relation to the Offer. Both Mr Stevens and Mr Fowles hold interests in shares in CTN. Please refer to Section 7.4 for further details.

1.6 Expert's opinion

The Expert appointed by the Independent Directors to provide its opinion has assessed the fair value of each CCPL Share at between \$0.73 and \$0.85

The Expert is of the opinion that the Offer is fair and reasonable.

The Expert's Report is included as Attachment 1.

You should read the Expert's Report in full.

1.7 Risk Factors

The Independent Directors recognise that some CCPL Shareholders may wish to reject the Offer. Reasons for doing so may include:

- 1.7.1 CCPL Shareholders that accept the Offer will forgo any potential increase in the value of CCPL Shares that may occur in the future.
- 1.7.2 CCPL Shareholders that accept the Offer will be precluded from accepting a higher Offer from a third party if one occurs during the Offer Period.
- 1.7.3 CCPL Shareholders may be liable to pay capital gains or other tax if they accept the Offer.

The Independent Directors recommend that CCPL Shareholders obtain professional taxation advice in relation to their specific circumstances.

1.8 Further information

CCPL will keep you informed of all material developments in relation to its business and the Offer on a timely basis through communications to you directly and through announcements posted on our website www.contango.com.au.

2. REASONS TO ACCEPT THE OFFER

The Independent Directors of CCPL recommend that you accept the Offer for your Shares in the absence of a superior proposal for the following reasons:

2.1 The Expert has concluded that the Offer is fair and reasonable

The Expert has valued 100% of the ordinary shares of CCPL at between \$0.73 and \$0.85 per share.

As the Offer of \$0.95 per Share is above the Expert's valuation range, the Expert has concluded that the offer is fair and reasonable.

The Expert's Report is included as Attachment 1.

You should read the Expert's Report in full.

2.2 The Offer is 10 cents higher than the top of the valuation range calculated by the Expert

The valuation range is \$0.73 to \$0.85 mid-point of the valuation range is \$0.79 per share. The Offer Price is 10 cents higher than the top of the valuation range.

Comparison of the Offer consideration to value of Contango Capital					
	Low High Mid-poir				
	\$ per share	\$ per share	\$ per share		
Value of the Offer consideration	0.95	0.95	0.95		
Value of 100% of Contango Capital	0.73	0.85	0.79		
Extent to which the Offer consideration exceeds					
(or is less than) the value of Contango Capital	0.22	0.10	0.16		

Source: Expert's Report

2.3 The Offer Price is at a premium to CCPL's NTA

The Offer Price of \$0.95 per CCPL Share represents a premium of about 12% over CCPL's 31 December 2012 announced net tangible asset (NTA) value per share of approximately 85 cents.

2.4 In the Independent Directors' opinion, a superior proposal is unlikely to emerge

Since CTN currently hold 74.8% of CCPL's Shares, an equivalent or superior alternative proposal is unlikely to emerge.

- 2.5 CCPL was delisted from ASX in June 2012 so there is no longer a public market for CCPL's shares.
- 2.6 CCPL is legally unable to invite shareholders to offer their shares to it, so it has become extremely difficult for CCPL shareholders to dispose of their shares at all, much less at 95 cents.
- **2.7** If you accept the Offer, CTN will pay you promptly in cash.

3. FREQUENTLY ASKED QUESTIONS

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues and should be read in conjunction with all other parts of this Target's Statement.

Why have I received this document?

You have received this Target's Statement because you are a CCPL Shareholder. This Target's Statement is CCPL's formal response to the Bidder's Statement. It contains important information prepared by CCPL's Directors to help you decide whether or not to accept the Offer.

What is the Offer for my shares?

CTN is offering \$0.95 for each CCPL share you hold.

What choices do I have as a CCPL Shareholder?

As a CCPL Shareholder you can:

- Accept the Offer for all of your CCPL Shares;
- Take no action at the present time in relation to the Offer and review the situation at a later stage; or
- Reject the Offer by doing nothing.

See Section 5 of this Target's Statement for further details.

What do the Independent Directors of CCPL recommend?

The Independent Directors of CCPL recommend that you accept the Offer in the absence of a superior proposal.

The non-Independent Directors make no recommendation. They are also directors of CTN.

What is the Independent Takeover Committee?

The Independent Takeover Committee comprises the Directors of CCPL who are independent of CTN. They are Mr William J Beerworth (Chairman) and Mr Gregory A Bundy (Non-Executive Director). For details of the Independent Takeover Committee see Section 6.6.1 of this Target's Statement.

What is the opinion of the Expert?

Because the non-Independent Directors Mr David Stevens and Mr Glenn Fowles are common to each of CCPL and CTN, and because CTN owns more than 30% of CCPL's shares on issue, CCPL is required under the Corporations Act to obtain an expert's report on the Offer.

The opinion of the Expert is that the Offer is fair and reasonable.

The Expert's Report is included with this Target's Statement as Attachment 1.

You should read the Expert's Report in full.

How do I accept the Offer?

Instructions on how to accept the Offer are set out on the inside front cover of the Bidder's Statement and on the Acceptance Form enclosed with the Bidder's Statement.

How do I reject the Offer?

Do nothing.

Will I pay any fees if I accept the Offer?

You will not pay any fees if you accept the Offer.

If I accept the Offer, can I withdraw my acceptance at any time?

No.

When does the Offer close?

The Offer is presently due to close at 5.00pm Melbourne time on 25 February 2013, but the Offer Period can be extended in certain circumstances. See Section 1.4 and Section 1.2 of Appendix 1 to the CTN Bidder's Statement for details of the circumstances in which this can occur.

Are there any Conditions to the Offer?

No. The Offer is not subject to any Conditions.

When will I be sent my consideration if I accept the Offer?

If you accept the Offer, CTN intends that you will be paid within 5 days of your valid acceptance of the Offer.

In any case, you will be paid on or before the earlier of:

- (a) one month after the date of your valid acceptance of the Offer; and
- (b) 21 days after the end of the Offer Period.

See Section 1.6 of Appendix 1 to the Bidder's Statement for full details of when payments will be made.

Can I be forced to sell my CCPL Shares?

Yes. CTN will be entitled to proceed with the compulsory acquisition of your CCPL Shares if:

- (a) it acquires a relevant interest in 90% or more of all CCPL Shares; and
- (b) it acquires at least 75% of the CCPL Shares which it offered to acquire under the Offer in which CTN did not at the date of the Offer already have a Relevant Interest.

See Section 4.7 of this Target's Statement and Section 4.3 of the Bidder's Statement for further information about compulsory acquisition.

What are CTN's intentions regarding CCPL?

See Section 4 of CTN's Bidder's Statement and Section 4.9 of this Target's Statement for a description of CTN's intentions upon acquiring CCPL Shares.

What are the tax implications of accepting the Offer?

General information about the tax implications of accepting the Offer is set out in Section 6 of the Bidder's Statement.

CCPL Shareholders are advised to seek taxation advice in respect of the Offer from their accountants, financial or other professional advisers.

KEY DATES

Announcement Date	7 January 2013
Date CTN Bidder's Statement lodged with ASIC	18 January 2013
Date CTN Replacement Bidder's Statement lodged with ASIC	23 January 2013
Date of this Target's Statement	23 January 2013
Date Offer Opens	24 January 2013
Scheduled close of Offer (unless extended or withdrawn)	25 February 2013

4. OVERVIEW OF THE OFFER

4.1 Source of Information and Disclaimer

The information in this section has been taken from Section 2 and Appendix 1 to the Bidder's Statement and a review of publicly available information (which has not been independently verified). CCPL makes no representation or warranty as to the accuracy or completeness of this information. CCPL has not undertaken any due diligence investigation of CTN nor does it have access to any non-public information about CTN.

Further information about CTN can be obtained from the public announcements made by CTN to the ASX or by contacting CTN.

4.2 The Offer

CTN is offering to acquire all of your CCPL Shares at a cash price of \$0.95 per CCPL Share.

You may only accept the Offer in respect of all of the CCPL Shares held by you. Partial acceptance of the Offer is not permitted.

The Offer extends to CCPL Shares that are on issue as at the Register Date.

4.3 Offer Period

Unless the Offer is withdrawn or extended, the Offer is open from 24 January 2013 until 5pm (Melbourne time) on 25 February 2013 or any other date to which the period of the Offer is extended in accordance with the Corporations Act. Instructions on how to accept the Offer are set out on the inside front cover of the Bidder's Statement and on the Acceptance Form enclosed with the Bidder's Statement.

4.4 Effect of acceptance and your ability to withdraw your acceptance

If you accept the Offer, you will not be able to withdraw your acceptance but will be entitled to receive the cash consideration for your CCPL Shares.

See Section 1.5 of Appendix 1 to the Bidder's Statement for details of the effect of your acceptance of the Offer.

4.5 When you will receive payment

If you accept the Offer, CTN intends that you will be paid within 5 days of your valid acceptance of the Offer. In any case, you will be paid on or before the earlier of:

- (a) one month after you validly accept the Offer; and
- (b) 21 days after the end of the Offer Period.

See Section 1.6 of Appendix 1 to the Bidder's Statement for full details of when payments will be made.

4.6 Effect of an improvement in consideration under the Offer on CCPL Shareholders

You will still be entitled to the benefit of the increased consideration if CTN increases the consideration payable under the Offer after you have accepted.

4.7 Compulsory acquisition

If during or at the end of the Offer Period, CTN (taken together with its Associates):

- has a relevant interest in at least 90% (by number) of the CCPL Shares; and
- has acquired at least 75% (by number) of the CCPL Shares for which it has made an Offer,

CTN will be able to compulsorily acquire any outstanding CCPL Shares for which it has not received acceptances on the same terms as the Offer.

If CTN does not become entitled to compulsorily acquire CCPL Shares in accordance with the above procedures, it may nevertheless become entitled to exercise general compulsory acquisition rights under Part 6A.2 Division 1 of the Corporations Act.

CCPL Shareholders may challenge any compulsory acquisition, but this would require the relevant CCPL Shareholders to establish to the satisfaction of a court that the terms of the Offer do not represent fair value for the CCPL Shares. If CCPL Shares are compulsorily acquired, CCPL Shareholders are not likely to receive any payment until at least one month after the compulsory acquisition notices are sent.

CTN has indicated in its ASX announcement on 7 January 2013 and the Bidder's Statement that it will proceed to compulsorily acquire outstanding CCPL Shares if it becomes entitled to do so. See Section 4 of the Bidder's Statement.

4.8 Who is CTN?

Contango MicroCap Limited ABN 47 107 617 381 (ASX:CTN) is an Australian listed investment company which specialises in investing in microcap companies that are listed on ASX. CTN was listed on ASX in March 2004. The current directors of CTN are Mr David Stevens, Mr Glenn Fowles, Mr Ian Ferres and Mr Mark Kerr.

CTN is the majority shareholder of CCPL and, as at the date of this Target's Statement, CTN had a Relevant Interest in 74.8% of CCPL Shares.

Please refer to Section 2 of the Bidder's Statement for further information on CTN.

4.9 What are CTN's intentions?

Section 4 of the Bidder's Statement states CTN's intentions in respect of the business, assets and operations of CCPL if various scenarios eventuate. The statements set out in Section 4 of the Bidder's Statement are statements of CTN's intentions as at the date of the Bidder's Statement only, and may vary as new information becomes available or circumstances change.

5. YOUR CHOICES AND IMPORTANT CONSIDERATIONS

5.1 Your Choices

The Independent Directors recommend that you **accept the Offer** in the absence of a superior proposal. However, you have three choices currently available to you:

5.1.1 ACCEPT the Offer

You may choose to accept the Offer in respect of all of your CCPL Shares in accordance with the recommendation of the Independent Directors.

See the inside front cover of the Bidder's Statement as well as the instructions on the Acceptance Form accompanying the Bidder's Statement for instructions on how to accept the Offer.

If you accept the Offer you may incur capital gains tax liability (**CGT liability**) or other tax, but you will not incur any fees. Your income tax and CGT liability will depend on your personal circumstances. You should seek independent advice about your personal situation.

5.1.2 Wait and see

You may decide to wait and see by taking no action at the present time in relation to the Offer and by making a decision later.

If you elect not to accept the Offer, you will not receive any consideration from CTN unless CTN becomes entitled to compulsorily acquire the remaining CCPL Shares that it did not acquire under the Offer and decides to do so. (See Section 4.7 of this Target's Statement and Section 4 of the Bidder's Statement for further information regarding compulsory acquisition).

5.1.3 Reject the Offer

If you wish to reject the Offer, you do not need to do anything. Note that:

- if CTN acquires a relevant interest in less than 90% of the CCPL Shares by the end of the Offer Period, you will continue to be exposed to the risks associated with being a minority shareholder in CCPL. Some of these risks are explained in Section 5.2 of this Target's Statement; and
- if CTN acquires a relevant interest in 90% or more of the CCPL Shares by the end of the Offer Period, it will, notwithstanding your non-acceptance of the Offer, be entitled to, and presently intends to, compulsorily acquire your CCPL Shares.

5.2 Minority Ownership Consequences

CTN is currently a substantial and the majority shareholder of CCPL and, as at the date of this Target's Statement, CTN had a Relevant Interest in 74.8% of CCPL Shares.

If you do not accept the Offer by the end of the Offer Period, you will continue to be a minority shareholder in a company controlled by CTN. This will have a number of possible implications for you as a CCPL Shareholder, including:

- CTN will continue to be in a position to cast the majority of votes at a general meeting of CCPL. This enables it to control the composition of the CCPL Board and senior management, determine CCPL's dividend policy and control the strategic direction of the business of CCPL;
- CCPL was delisted from the ASX on 22 June 2002. As such there
 is not and there will not be any public market on which to sell
 CCPL shares;
- if CTN acquires 75% or more of the CCPL Shares, CTN will be able to pass a special resolution of CCPL. This will enable CTN to, among other things, change CCPL's constitution; and
- subject to the Corporations Act and CCPL's constitution, CTN would continue to be legally be entitled at its discretion to seek to add to, or replace, members of the CCPL Board with nominees of CTN. Please refer to Section 4 of the Bidder's Statement and Section 4.9 of this Target's Statement for a description of CTN's intentions upon acquiring CCPL Shares.

CCPL Shareholders should take these possible implications into account in considering whether to accept the Offer.

5.3 Effect of a competing bid

If a competing bid for CCPL is made at a higher price or consideration than the Offer, CCPL Shareholders who have already accepted the Offer will not be able to sell their CCPL Shares to the competing bidder. Instead, CTN could accept the higher bid in respect of the CCPL Shares for which it has received acceptances. In that case, CTN would retain the excess of the higher competing bid offer price over that offered under the Offer.

The Independent Directors regard the possibility of a competitive offer as extremely low because CTN holds 74.8% of the CCPL shares.

5.4 Other matters

The Independent Directors encourage you to:

- read this Target's Statement, the Bidder's Statement and the Expert's Report in their entirety;
- consider the future prospects of CCPL;

- consider your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain independent professional advice from your broker or financial adviser regarding the Offer and obtain taxation advice on the effect of accepting the Offer,

before making any decision in relation to your CCPL Shares.

6. INFORMATION ABOUT CCPL

CCPL was incorporated in February 2007 and was listed on the ASX on 30 May 2007. As a result of First Offer, the number of CCPL's Shares held by CTN increased to 74.8%. CCPL subsequently sought removal from the official list of the ASX, CCPL shares ceased trading on the ASX on 15 June 2012, and CCPL was removed from the official ASX list on 22 June 2012.

Because CCPL is no longer listed on ASX, it is not subject to continuous disclosure obligations under the Listing Rules, however CCPL is subject to periodic reporting obligations as an unlisted public company pursuant to the requirements of the Corporations Act, including the requirement for annual reports and directors reports to be distributed to shareholders. CCPL also publishes monthly NTA reports on the CCPL website.

6.1 2012 CCPL Annual Financial Report and Half-Year Financial Report

The 2012 CCPL annual report contains detailed information about CCPL, its assets, business and operations, structure and shareholders' profile. It also includes a copy of the audited financial statements of CCPL for the year ended 30 June 2012.

The December 2012 CCPL half-year financial report contains condensed information about CCPL for the half-year ended 31 December 2012. These half-year financial statements have not been audited or reviewed by CCPL's auditors.

6.2 Contango Asset Management Limited

Contango Asset Management Limited (**CAML**) has entered into an Investment Management Agreement with each of CCPL and CTN.

CAML's shares are owned by Contango Group Pty Limited (CGPL).

CGPL's shares are owned 49.996% by CCPL and 50.004% by executives of CAML, including David Stevens and Glenn Fowles, who are also directors and employees of CAML.

6.3 Material changes to the financial position of CCPL since 31 December 2012

Within the knowledge of the CCPL Directors and other than as disclosed in this Target's Statement, the financial position of CCPL has not materially changed since 31 December 2012, being the date of the unaudited half year report.

6.4 CCPL's dividend policy

As announced to the market on 9 February 2012, the Directors suspended CCPL's dividend policy at that time because CCPL had neither current nor retained profits and as the outlook for financial markets remained uncertain, the Directors considered it prudent to suspend the payment of future dividends until they could be paid from profits. As at the date of this Target's Statement, the Directors have not resumed CCPL's dividend

policy. Accordingly, no interim dividends were declared for the half-year ended 31 December 2012.

6.5 Updated financial position of CCPL

6.5.1 Financial performance

The financial performance of CCPL for the four years ended 30 June 2012 (FY12) and the six months to 31 December 2013 (HY13) is set out below:

Contango Capital – financial performance					
	FY09 \$000	FY10 \$000	FY11 \$000	FY12 \$000	HY13 \$000
Revenue ⁽¹⁾	2,263	1,079	982	644	104
Fair value profits / (losses) on					
financial assets ⁽²⁾	(8,749)	1,051	(396)	(3,991)	(181)
Gain on disposal of subsidiary ⁽³⁾	323	-	-	-	-
Impairment of investment in					
associate ⁽⁴⁾	(8,626)	-	-	-	-
Management fees ⁽⁵⁾	(462)	(283)	(191)	(162)	(73)
Administration expenses	(1,025)	(521)	(417)	(672)	(167)
Profit before tax (PBT)	(16,276)	1,326	(22)	(4,131)	(317)
Share of net profits of associates	269	757	906	437	121
Reported PBT	(16,007)	2,083	884	(3,694)	196
Income tax expense	(9,135)	-	-	-	-
Reported net profit after tax	-				
(NPAT)	(25,142)	2,083	884	(3,694)	196

Note:

- 1 Includes interest, dividend and trust distribution income from listed equity investments.
- 2 The substantial losses on listed equity investments in FY08 and FY09 were due to the adverse impacts following the beginning of the global financial crisis (GFC). We note that the S&P/ASX 300 Diversified Financials Accumulation Index declined by some 11.8% in FY09.
- 3 On 21 April 2009, Contango Capital disposed of its 64% interest in Olympus Funds Management Pty Ltd.
- 4 Being the impairment of Contango Capital's 49.996% interest in CAML. The impairment was based on an independent valuation of the investment.
- 5 Being the management fees paid to CAML.

Source: Expert's Report

6.5.2 Financial position

The financial position of CCPL as at 30 June 2012 and 31 December 2012 is set out below:

	30 Jun 12 \$000	31 Dec 12 \$000
Cash and cash equivalents	2,036	5,078
Receivables	255	12
Investments in associates	6,482	6,137
Financial assets	8,279	5,605
Total assets	17,052	16,832
Payables	40	16
Total liabilities	40	16
Net assets	17,012	16,816

With regard to the above, you should note:

- cash and cash equivalents held in the portfolio managed by CAML under the Management Agreement
- receivables primarily dividend and trust distributions on listed equity investments which CCPL has the right to receive
- investments in associates CCPL acquired a 49.996% interest in CAML in 2007 for \$16.2 million. This was accounted for using the equity method of accounting. In FY09, the investment was impaired by some \$8.6 million to \$7.2 million based on an independent valuation. The reduction in carrying value to \$6.1 million primarily reflects the distribution of dividend payments from CAML (funded by CAML's surplus assets) to its shareholders.
- financial assets this represents CCPL's investment in the Contango Wholesale Microcap Fund (which is valued at its redemption value post liquidation costs)
- payables includes sundry creditors and accruals

Source: Expert's Report

6.5.3 Net Tangible Asset Value

The Net Tangible Asset (**NTA**) value of the investment portfolio of CCPL at 31 December 2012 (before any tax benefits) was \$0.848 per CCPL Share.

6.6 Independent Directors

- 6.6.1 The following Directors are Independent and are members of the Independent Takeover Committee
 - William J Beerworth (Non-executive Director and Chairman)
 - Gregory A Bundy (Non-executive Director)

6.6.2 Non-Independent Directors

- David Stevens
- Glenn Fowles (Company Secretary)

Please refer to Section 7 of this Target's Statement for further information on the CCPL Directors.

6.7 Litigation

As far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal or criminal or governmental prosecution of a material nature in which CCPL is directly or indirectly concerned which is likely to have a material adverse effect on CCPL.

6.8 Information about CCPL's securities

As at the date of this Target's Statement, there are 19,802,414 CCPL Shares on issue.

There are no options over unissued shares or interests in CCPL outstanding as at the date of this Target's Statement.

6.9 CCPL Shareholders

The following is a breakdown of CCPL's Shareholders, based on CCPL's current share register.

Holder	No. of Ordinary Shares Held
Contango MicroCap Limited ACN 107 617 381	14,810,318 (74.8%)
Wilson Asset Management Group*	4,180,295 (21.1%)

^{*} The following entities form the Wilson Asset Management Group: Wilson Asset Management (International) Pty Ltd ACN 081 047 118, MAM Pty Limited ACN 100 276 542, WAM Capital Limited ACN 086 587 395, WAM Research Limited ACN 100 504 541, WAM Active Limited ACN 126 420 719 and Botanical Nominees Pty Limited as trustee of the Wilson Asset Management Equity Fund.

6.10 Other financial information

Financial information about CCPL can be obtained from the CCPL website at www.contango.com.au.

6.11 Cross Shareholdings

As at the date of the Bidder's Statement, CTN holds a Relevant Interest in 14,810,318 of CCPL ordinary fully paid shares, which represents a holding of 74.8% of CCPL Shares.

7. INFORMATION ABOUT CCPL DIRECTORS

7.1 Who are the CCPL Directors?

- William J Beerworth (Independent Non-executive Director and Chairman)
- Gregory A Bundy (Independent Non-executive Director)
- David Stevens (Executive Director)
- Glenn Fowles (Executive Director and Company Secretary)

7.2 CCPL Directors' interests in the securities of CCPL

As at the day before the date of this Target's Statement, none of the CCPL Directors had any direct or indirect interests in CCPL Shares.

7.3 CCPL Directors' dealings in CCPL securities

No CCPL Director has acquired or disposed of a Relevant Interest in any CCPL securities in the four month period immediately preceding the date of this Target's Statement.

7.4 CCPL Directors' interests in the securities of CTN

As at the date of this Target's Statement, none of the CCPL Directors has a Relevant Interest in any CTN securities, except for the following:

Name of Director	Number of CTN shares
David Stevens	138,211 ordinary shares
Glenn Fowles	55,855 ordinary shares

7.5 CTN's Relevant Interest in securities in CCPL

As at the date of this Target's Statement, CTN holds a Relevant Interest in 14,810,318 of CCPL ordinary fully paid shares, which represents a holding of 74.8% of CCPL Shares.

7.6 CCPL Directors' dealings in CTN securities

Neither CCPL nor any CCPL Director has acquired or disposed of a Relevant Interest in any CTN securities in the four month period immediately preceding the day immediately before the date of this Target's Statement.

As noted in Section 6.2 of this Target's Statement, Mr David Stevens and Mr Glenn Fowles are directors and employees of CAML and are also shareholders of CAML's parent company, CGPL.

7.7 Benefits in connection with retirement from office

The Offer will not result in any CCPL Director or any other person being given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that CCPL Director or other person from a board or managerial office of CCPL or a related body corporate of CCPL.

7.8 Benefits from CTN

No CCPL Director has agreed to receive, or is entitled to receive any benefit from CTN which is conditional on, or is related to, the Offer, other than in their capacity as a holder of CCPL Shares.

7.9 Interests of CCPL Directors in contracts with CTN

No CCPL Director has any interest in any contract entered into by CTN other than as disclosed in this Target's Statement.

As noted in Section 6.2 of this Target's Statement, CAML has entered into an Investment Management Agreement with each of CCPL and CTN. Mr David Stevens and Mr Glenn Fowles are directors and employees of CAML and are also shareholders of CAML's parent company, CGPL.

7.10 Independent Directors' recommendations

The Independent Directors recommend that the CCPL Shareholders accept the Offer in the absence of a superior proposal.

The Directors who are not members of the Independent Takeover Committee make no recommendation in relation to the Offer because each of these Directors has a Relevant Interest in Shares in CTN and are also directors of CTN. Please refer to Sections 7.2 and 7.4 for further details.

8. ADDITIONAL INFORMATION

8.1 Consents

Each CCPL Director has given his consent to the lodgement and issue of this Target's Statement, and to this Target's Statement including statements made by, or based on statements made by, the Director in the form and context in which those statements appear.

Mr Glenn Fowles has also given his consent to be named in this Target's Statement as CCPL's Company Secretary in the form and context in which he is named.

The Expert has given its consent to be named as the Expert in the form and context in which it is named, and to the inclusion of the Expert's Report as Attachment 1 to this Target's Statement, and the inclusion of statements made by the Expert, or said to be based on the Expert's Report, and to all references to those statements in the form and context in which they are included.

Maddocks has given its consent to be named in this Target's Statement as CCPL's Australian legal adviser in the form and context in which it is named.

None of these consents have been withdrawn before the lodgement of this Target's Statement with ASIC.

8.2 Disclaimers

Each person named in Section 8.1 above as having given its or their consent to the inclusion of a Target's Statement or to being named in this Target's Statement:

- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a Target's Statement, a statement included in this Target's Statement with the consent of that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name, and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

8.3 Copies of documents

As permitted by ASIC Class Order 01/1543, this Target's Statement may include or be accompanied by statements which are made in documents lodged with ASIC or ASX. Pursuant to ASIC Class Order 01/1543, provided this Target's Statement fairly represents such statements and identifies any documents (or the part of any documents) that contain the statements, the consent of persons to whom such statements are

attributed, is not required for the inclusion of such statements in this Target's Statement.

CCPL Shareholders are entitled during the Offer Period to obtain a copy of any document lodged by CCPL with ASIC or by CTN with ASX containing such a statement, free of charge by contacting CCPL. Documents lodged with ASX by CTN in relation to the Offer are also available on the ASX website www.asx.com.au and documents lodged with ASIC in relation to the Offer may also be obtained from, or inspected at, an ASIC office.

As permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by statements fairly representing a statement by an official person, or statements from a public official document or a published book, journal or comparable publication.

8.4 Continuous disclosure

Because CCPL is no longer listed on ASX, it is not subject to continuous disclosure obligations under the Listing Rules however CCPL is subject to periodic reporting obligations as an unlisted public company pursuant to the requirements of the Corporations Act, including the requirement for annual reports and directors reports to be distributed to shareholders.

Copies of the documents filed with ASIC by CCPL may be obtained from, or inspected at, an ASIC office or from the CCPL website at www.contango.com.au.

8.5 Financial position of CCPL

The most recent published financial information in relation to CCPL is contained in the December 2012 CCPL unaudited half-year financial report. The half-year financial report is available on the CCPL website at www.contango.com.au.

The financial position of CCPL has not, so far as is known by the Independent Takeover Committee, materially changed since December 2012, being the date to which the half-year financial report relates.

8.6 Taxation Considerations

You should refer to Section 6 of the Bidder's Statement for an overview of taxation considerations.

8.7 No other material information

This Target's Statement is required to include all the information that CCPL Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director of CCPL.

The CCPL Directors are of the opinion that the information that CCPL Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- the information contained in CCPL's annual financial reports and half-year financial reports published on the CCPL website at www.contango.com.au before the date of this Target's Statement;
- the information contained in documents lodged by CCPL with ASIC before the date of this Target's Statement and made available to Shareholders on the CCPL website at www.contango.com.au;
- the information contained in the Expert's Report; and
- the information contained in this Target's Statement.

The CCPL Directors have assumed, for the purposes of preparing this Target's Statement, that the information in CTN's Bidder's Statement is complete and accurate (unless expressly indicated otherwise in this Target's Statement). However, the CCPL Directors do not take any responsibility for the contents of CTN's Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the CCPL Directors have had regard to:

- the nature of the CCPL Shares;
- the matters that CCPL Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisers of CCPL Shareholders; and
- the time available to CCPL to prepare this Target's Statement.

9. DEFINED TERMS AND INTERPRETATION

9.1 Definitions

In this Target's Statement, unless the context otherwise requires:

Announcement Date means 7 January 2013.

ASIC means the Australian Securities and Investments Commission.

Associate has the same meaning as given to that term for the purposes of Chapter 6 of the Corporations Act (as modified by ASIC from time to time).

ASX means ASX Limited ACN 008 624 691 or the securities market operated by it, as the context requires.

Bidder means CTN.

Bidder's Statement or the **CTN Bidder's Statement** means the Bidder's Statement in respect of the Offer given by CTN pursuant to Part 6.5 of the Corporations Act.

Board means the Board of Directors of CCPL.

CAML means Contango Asset Management Limited ABN 52 085 487 421.

CCPL means Contango Capital Partners Limited ABN 52 124 184 765.

CCPL Director or **Director** means each of the persons named in Section 6.6.1 and 6.6.2 of this Target's Statement.

CCPL Share or Share means a fully paid ordinary share in CCPL.

CCPL Shareholder means a holder of CCPL Shares entered on CCPL's register of members as at the Register Date.

CGPL means Contango Group Pty Limited ABN 53 085 657 147.

Closing Date means the later of 25 February 2013 and any date to which the period of the Offer is extended in accordance with the terms of the CTN Bidder's Statement and the Corporations Act.

Condition means a defeating condition to which an offer for shares may be subject.

CTN means Contango MicroCap Limited ABN 47 107 617 381.

Corporations Act means the Corporations Act 2001 (Cth).

Expert means Lonergan Edwards & Associates Limited ABN 53 095 445 560.

Expert's Report means the report by the Expert included as Attachment 1.

First Offer means the takeover offer made by CTN, to acquire all the ordinary shares in CCPL that it did not own for \$0.90 per share, which closed on 20 February 2012.

Government Agency means any government or any governmental, semigovernmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world, including any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, including ASIC and ASX or any other stock exchange.

Independent Director means each director named as such in Section 6.6.1 of this Target's Statement.

Independent Takeover Committee means those directors named as members in Section 6.6.1 of this Target's Statement.

Listing Rules means the official listing rules of ASX as amended or varied from time to time.

Management Agreement means the document entitled Investment Management Agreement between CCPL and CAML dated 3 April 2007.

NTA means the net tangible asset value per share in CCPL.

Offer means the offer to be made by CTN to acquire all the ordinary shares in CCPL for \$0.95 per share as announced on 7 January 2013.

Offer Date means 24 January 2013, being the date on which the first of the Offers was sent to each holder of CCPL Shares registered in the CCPL Share register at the Register Date.

Offer Period means the period during which the Offer will remain open for acceptance in accordance with Section 1.2 of Appendix 1 to the Bidder's Statement.

Offer Price means \$0.95 per CCPL Share.

Register Date means the date set by CTN under subsection 633(2) of the Corporations Act, being 5.00pm (Melbourne time) on 21 January 2013.

Relevant Interest has the meaning given to it in sections 608 and 609 of the Corporations Act.

Subsidiary has the meaning given to that term in section 9 of the Corporations Act.

Target's Statement means this Target's Statement issued by CCPL and dated 23 January 2013, under Part 6.5 Division 3 of the Corporations Act.

9.2 General interpretative provisions

In this Target's Statement unless the contrary intention appears:

- 9.2.1 words and phrases have the same meaning and interpretation as in the Corporations Act;
- 9.2.2 agreement on the part of, or in favour of two or more persons binds or is for the benefit of them or any one or more of them jointly and severally;
- 9.2.3 where a word or phrase is given a defined meaning in this Target's Statement, any other part of speech or grammatical form in respect of such word or phrase has a corresponding meaning; and
- 9.2.4 references to \$, dollars and cents are references to the currency of Australia.

All annexures to this Target's Statement form part of this Target's Statement. References to annexures are references to annexures to this Target's Statement.

10. AUTHORISATION AND APPROVAL OF TARGET'S STATEMENT

This Target's Statement was approved by a resolution passed by the members of the Board of CCPL and the Chairman is authorised to sign this Target's Statement on behalf of CCPL.

No CCPL Director present at the relevant meeting of Directors voted against the Directors' resolution approving this Target's Statement.

Dated: 23 January 2013

SIGNED FOR AND ON BEHALF OF CONTANGO CAPITAL PARTNERS LIMITED

William J Beerworth

Independent Non-Executive Director and Chairman Contango Capital Partners Limited

ATTACHMENT 1 - EXPERT'S REPORT



ABN 53 095 445 560 AFS Licence No 246532 Level 27, 363 George Street Sydney NSW 2000 Australia GPO Box 1640, Sydney NSW 2001

Telephone: [61 2] 8235 7500 Facsimile: [61 2] 8235 7550 www.lonerganedwards.com.au

The Independent Directors Contango Capital Partners Limited Level 24 360 Collins Street Melbourne Vic 3000

22 January 2013

Subject: Off-market takeover offer for Contango Capital Partners Limited

Dear Independent Directors

Introduction

- On 7 January 2013 Contango Microcap Limited (Contango Microcap) announced that it intended to make a takeover offer for all the ordinary shares in Contango Capital Partners Limited (Contango Capital) that it did not already own at an offer price of \$0.95 cash per share (the Offer). Subsequently, on 18 January 2013 Contango Microcap lodged its Bidder's Statement with the Australian Securities and Investment Commission (ASIC) in relation to the Offer.
- 2 The Offer values the total equity in Contango Capital at approximately \$18.8 million and is not subject to any conditions.
- Prior to the announcement of the Offer, Contango Microcap held 74.8% of the ordinary shares in Contango Capital. Further Contango Microcap and Contango Capital have two common directors. Accordingly, there is a regulatory requirement for the Directors of Contango Capital to obtain an independent report on the merits of the Offer.
- As a result the Independent Directors of Contango Capital have requested that Lonergan Edwards & Associates Limited (LEA) prepare an independent expert's report (IER) stating whether, in LEA's opinion, the Offer is "fair and reasonable".
- 5 LEA is independent of Contango Capital and Contango Microcap and has no other involvement or interest in the outcome of the Offer, other than the preparation of this report.

Summary of opinion

6 LEA has concluded that the Offer is fair and reasonable. We have arrived at this conclusion for the reasons set out below.

Valuation of Contango Capital

7 LEA has valued 100% of the ordinary shares in Contango Capital at between \$0.73 and \$0.85 per share, as summarised below:



	LEA assess	LEA assessed value		
	Low	High		
	\$000	\$000		
Investment in Contango Wholesale Microcap Fund	5,600	5,900		
Investment in Contango Group Pty Limited	4,116	4,786		
Other net assets ⁽¹⁾	5,074	5,074		
Tax losses	800	1,700		
Allowance for future management fees	(1,100)	(700)		
Value of 100% of Contango Capital	14,490	16,760		
Shares on issue (000's)	19,802	19,802		
Value per share	\$0.73	\$0.85		

Note:

1 Comprises cash and receivables net of accrued expenses.

Assessment of fairness

Pursuant to Australian Securities & Investments Commission (ASIC) Regulatory Guideline 111 – Content of expert reports (RG 111), an offer is "fair" if:

"The value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer."

9 This comparison is shown below:

Comparison of the Offer consideration to value of Contango Capital				
	Low	High	Mid-point	
	\$ per share	\$ per share	\$ per share	
Value of the Offer consideration	0.95	0.95	0.95	
Value of 100% of Contango Capital	0.73	0.85	0.79	
Extent to which the Offer consideration exceeds (or is				
less than) the value of Contango Capital	0.22	0.10	0.16	

As the consideration offered by Contango Microcap is above our assessed value of 100% of the ordinary shares in Contango Capital, in our opinion, the Offer is fair.

Assessment of reasonableness

Pursuant to RG 111, an offer is reasonable if it is fair. Consequently we have concluded that the Offer is both fair and reasonable.

General

12 In preparing this report we have considered the interests of Contango Capital shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

2



- 13 The taxation consequences of accepting the Offer depend on the individual circumstances of each investor. Shareholders should read the taxation advice set out in the Bidder's Statement and should consult their own professional adviser if in doubt as to the taxation consequences of the Offer.
- 14 The ultimate decision whether to accept the Offer should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.
- 15 If shareholders are in doubt about the action they should take in relation to the Offer or matters dealt with in this report, shareholders should seek independent professional advice.
- For our full opinion on the Offer, and the reasoning behind our opinion, we recommend that Contango Capital shareholders read the remainder of our report.

Yours faithfully

Craig Edwards

Authorised Representative

Medwards

Tony Coleman

A.M. Coleman

Authorised Representative



Table of contents

Section		Page
I	Scope of our report	5
	Purpose	5
	Basis of assessment	5
	Limitations and reliance on information	6
II	Profile of Contango Capital	7
	Overview	7
	Financial performance	8
	Financial position	8
	Share capital	9
III	Valuation of 100% of Contango Capital	10
	Valuation methodology	10
	Valuation summary	10
	Investment in Contango Wholesale Microcap Fund	11
	Investment in Contango Group Pty Limited	11
	Tax losses and franking credits	15
	Allowance for future management fees	16
IV	Evaluation of the Offer	18
	Summary of opinion	18
	Assessment of fairness	18
	Assessment of reasonableness	18
	Conclusion	19
	Other matters	20

Appendices

- **A** Financial Services Guide
- B Qualifications, declarations and consents
- C Glossary

4



I Scope of our report

Purpose

- Prior to the announcement of the Offer, Contango Microcap held 74.8% of the ordinary shares in Contango Capital. Further, Contango Microcap and Contango Capital have two common directors. Accordingly, there is a regulatory requirement for the Directors of Contango Capital to obtain an independent report on the merits of the Offer.
- As a result the Independent Directors of Contango Capital have requested that LEA prepare an independent expert's report (IER) stating whether, in LEA's opinion, the Offer is "fair and reasonable".
- This report has been prepared to assist the Independent Directors of Contango Capital in making their recommendation to Contango Capital shareholders in relation to the Offer and to assist the shareholders of Contango Capital assess the merits of the Offer. The sole purpose of this report is to set out LEA's opinion as to whether the Offer is fair and reasonable. This report should not be used for any other purpose.
- The ultimate decision whether to accept the Offer should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Offer or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

- In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC, particularly RG 111.
- 22 RG 111 distinguishes "fair" from "reasonable" and considers:
 - (a) an offer to be "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. This comparison must be made assuming 100% ownership of the target company
 - (b) an offer to be "reasonable" if it is fair. An offer may also be "reasonable" if, despite not being "fair" but after considering other significant factors, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.
- 23 Our report therefore considers:

Fairness

- (a) the market value of 100% of the shares in Contango Capital
- (b) the value of the consideration under the Offer
- (c) the extent to which (a) and (b) differ (in order to assess whether the Offer is fair under RG 111)

5



Reasonableness

- (d) the extent to which the Offer consideration exceeds the NTA of Contango Capital prior to the Offer
- (e) the extent to which a share of any synergies likely to arise upon an acquisition of Contango Capital are being shared with Contango Capital shareholders
- (f) Contango Microcap's current 74.8% shareholding in Contango Capital
- (g) the value of Contango Capital to an alternative offeror and the likelihood of a higher alternative offer emerging, either prior to the close of the Offer, or sometime in the future
- (h) the ability for existing shareholders to realise their non-marketable holdings at a premium to NTA and our assessed value range
- (i) other risks, advantages and disadvantages.

Limitations and reliance on information

- Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- Our report is also based upon financial and other information provided by Contango Capital and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Offer from the perspective of Contango Capital securityholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the Offer, rather than a comprehensive audit or investigation of detailed matters.
- An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.



II Profile of Contango Capital

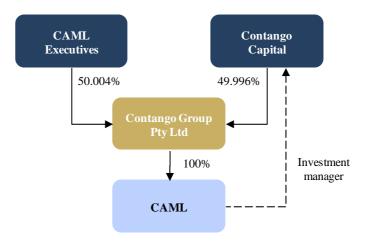
Overview

Contango Capital (formerly ASX: CCQ) is an unlisted investment company which holds a 49.996% indirect interest in an unlisted funds management company, Contango Asset Management Limited (CAML)¹. Contango Capital commenced operations on 24 May 2007 and listed on the Australian Securities Exchange (ASX) on 30 May 2007. However, it was delisted from the ASX in June 2012.

Contango Capital's interest in CAML

30 In 2007, Contango Capital acquired its 49.996% indirect interest in CAML for some \$16.2 million. In FY09 the investment was impaired by some \$8.6 million. CAML, incorporated in 1998, is a niche fund management business based in Melbourne that specialises in the management of large, small and microcap Australian equities portfolios. CAML is the investment manager of Contango Capital and Contango Microcap², as well as a range of superannuation funds, wealth managers, and other institutional clients. The ownership structure of CAML is set out diagrammatically below:

Contango Capital – investment in CAML



Source: Contango Capital management.

CAML holds an Australian Financial Services Licence (AFSL) and currently employs 11 staff involved in providing investment services, as well as five support staff. CAML currently holds 11 investment mandates generating fees in the range of 0.49% to 1.20% per annum, in addition to the portfolios of Contango Capital (1.75% fee) and Contango Microcap (1.25% fee). In December 2010 CAML lost a significant equity mandate that accounted for some \$786 million of funds under management (FUM), which was equivalent to approximately a half of the total managed funds at that time.

¹ Held via its 49.996% interest in Contango Group Pty Limited.

² CAML also established Contango Microcap, which listed on the ASX in March 2004.



Investment management agreement (IMA) between Contango Capital and CAML

Contango Capital appointed CAML as investment manager for a period of 10 years to May 2017, and both parties are bound by the IMA dated 3 April 2007. In consideration for the services provided by CAML, CAML is entitled to a management fee of 0.4375% per quarter, which is payable quarterly in arrears. CAML is also entitled to a performance fee of 15% of the amount that the portfolio exceeds the benchmark, which is calculated to be the 90-day bank bill rate plus 5% per annum.

Financial performance

The financial performance of Contango Capital for the four years ended 30 June 2012 (FY12) and the six months to 31 December 2013 (HY13) is set out below:

Contango Capital – financial performa	nce				
	FY09 \$000	FY10 \$000	FY11 \$000	FY12 \$000	HY13 \$000
Revenue ⁽¹⁾	2,263	1,079	982	644	104
Fair value profits / (losses) on financial					
assets ⁽²⁾	(8,749)	1,051	(396)	(3,991)	(181)
Gain on disposal of subsidiary ⁽³⁾	323	-	-	-	-
Impairment of investment in associate ⁽⁴⁾	(8,626)	-	-	-	-
Management fees ⁽⁵⁾	(462)	(283)	(191)	(162)	(73)
Administration expenses	(1,025)	(521)	(417)	(672)	(167)
Profit before tax (PBT)	(16,276)	1,326	(22)	(4,131)	(317)
Share of net profits of associates	269	757	906	437	121
Reported PBT	(16,007)	2,083	884	(3,694)	196
Income tax expense	(9,135)	-	-	-	-
Reported net profit after tax (NPAT)	(25,142)	2,083	884	(3,694)	196

Note:

- 1 Includes interest, dividend and trust distribution income from listed equity investments.
- 2 The substantial losses on listed equity investments in FY08 and FY09 were due to the adverse impacts following the beginning of the global financial crisis (GFC). We note that the S&P/ASX 300 Diversified Financials Accumulation Index declined by some 11.8% in FY09.
- 3 On 21 April 2009, Contango Capital disposed of its 64% interest in Olympus Funds Management Pty Ltd.
- 4 Being the impairment of Contango Capital's 49.996% interest in CAML. The impairment was based on an independent valuation of the investment.
- 5 Being the management fees paid to CAML.

Financial position

The financial position of Contango Capital as at 30 June 2012 and 31 December 2012 is set out below:



Cash and cash equivalents Receivables Investments in associates Financial assets Total assets	30 Jun 12 \$000 2,036 255 6,482	31 Dec 12 \$000 5,078 12
Receivables Investments in associates Financial assets Total assets	255	*
Investments in associates Financial assets Total assets		12
Financial assets Total assets	6 192	
Total assets	0,462	6,137
	8,279	5,605
	17,052	16,832
Payables	40	16
Total liabilities	40	16
Net assets	17,012	16,816

- With regard to the above, we note:
 - (a) cash and cash equivalents held in the portfolio managed by CAML under the IMA
 - (b) **receivables** primarily dividend and trust distributions on equity investments which Contango Capital have the right to receive
 - (c) **investments in associates** Contango Capital acquired a 49.996% interest in CAML in 2007 for some \$16.2 million and is accounted for using the equity method of accounting. In FY09 the investment was impaired by some \$8.6 million to \$7.2 million based on an independent valuation. The reduction in carrying value to \$6.1 million primarily reflects the distribution of dividend payments from CAML (funded by CAML's surplus assets) to its shareholders
 - (d) **financial assets** this represents Contango Capital's investment in the Contango Wholesale Microcap Fund (which is valued at its redemption value post liquidation costs)
 - (e) **payables** includes sundry creditors and accruals.
- 36 Substantial losses on financial assets in previous years have given rise to significant realised tax losses of some \$59.0 million. Contango Capital also has a franking credit balance of some \$2.4 million (as at 30 June 2012).

Share capital

Contango Capital has 19,802,414 fully paid ordinary shares on issue. There are no options or performance rights outstanding. Contango Microcap and Wilson Asset Management Group³ hold 74.8% and 21.1% of the shares on issue respectively.

³ The registered owner being RBC Dexia Investor Services Pty Ltd.



III Valuation of 100% of Contango Capital

Valuation methodology

- As Contango Capital is an unlisted investment company, the market value of its shares have been determined by assessing the market value of its underlying investment portfolio⁴ less an allowance for:
 - (a) the selling costs which would be incurred upon a sale of the portfolio
 - (b) the capitalised value of on-going management fees payable.
- Contango Capital has significant realised income and capital tax losses. We have based the value of these tax losses on the present value of the likely tax shield for future returns from the existing portfolio. Further, Contango Capital has significant unrealised capital tax losses. Therefore, we have not made an allowance for a capital gains tax (CGT) liability that would otherwise crystallise upon a sale of the portfolio.
- In accordance with ASIC Regulatory Guide 111 "Content of Experts Reports" we have assessed the value of Contango Capital shares on a 100% controlling interest basis. Our valuation therefore reflects the full underlying value of Contango Capital shares and implicitly includes a premium for control⁵.

Valuation summary

A summary of Contango Capital's reported net tangible asset (NTA) backing as at 31 December 2012 and our assessed value range for Contango Capital shares is shown below:

	NTA as at 31 Dec 12 \$000	LEA asse Low \$000	ssed value High \$000
Investment in Contango Wholesale Microcap Fund	5,605	5,600	5,900
Investment in Contango Group Pty Limited	$6,137^{(1)}$	4,116	4,786
Other net assets	$5,074^{(2)}$	5,074	5,074
Tax losses	-	800	1,700
Allowance for future management fees		(1,100)	(700)
Value of 100% of Contango Capital	16,816	14,490	16,760
Shares on issue (000's)	19,802	19,802	19,802
Value per share	\$0.85	\$0.73	\$0.85

Note:

- 1 Last independently valued for accounting purposes in April 2011.
- 2 Comprises cash and receivables net of accrued expenses.

⁴ Net of receivables and accrued expenses.

As Contango Capital's portfolio virtually consists of an interest in a diversified fund (holding listed shares) plus some surplus cash, in our opinion, a willing but not anxious purchaser would not pay any material premium to replicate the portfolio. In addition, Contango Capital's interest in CAML is not a controlling interest. Further, synergies would not be material. Accordingly, no significant premium for control should apply in excess of the underlying value of the investment portfolio.



Our assessed values for Contango Capital's investments and other assets are set out in detail below.

Investment in Contango Wholesale Microcap Fund

- The redemption value of the investment in the Contango Wholesale Microcap Fund as at 31 December 2012 was approximately \$5.6 million. This redemption price is calculated post liquidation costs incurred to realise the investment.
- Since 31 December 2012 up to 16 January 2013 the S&P ASX Small Ordinaries Index⁶ has increased by 3.1%. In order to allow for this market performance and day to day volatility we have therefore adopted a value of \$5.6 million to \$5.9 million for the investment in the Contango Wholesale Microcap Fund.

Investment in Contango Group Pty Limited

As stated in Section II, Contango Capital owns 49.996% of the shares in Contango Group Pty Limited (Contango Group). Contango Group's only major asset is its 100% interest in CAML7.

CAML

CAML is a small funds management business based in Melbourne that specialises in the management of large, small and microcap Australian equities portfolios for superannuation funds, wealth managers and other institutional clients. As at 31 December 2012 total FUM was \$706.3 million. The composition of FUM as at 31 December 2012 is set out below:

CAML – FUM		
	FUM	
Mandates	\$m	%
Contango Microcap Limited	161.8	22.9
Contango Capital	16.7	2.4
Wholesale / institutional clients	527.8	74.7
Total	706.3	100.0

Contango Microcap and Contango Capital investment mandates

- 47 Both Contango Microcap and Contango Capital are managed by CAML pursuant to Investment Management Agreements (IMA) which have a term of 10 years from their date of commencement. The IMA with Contango Microcap expires in April 2014 and the IMA with Contango Capital expires in May 2017.
- The base management fees charged to Contango Microcap (1.25% pa) and Contango Capital (1.75% pa) are significantly higher than the management fees charged on wholesale mandates. As a result the Contango Microcap and Contango Capital mandates account for 33.5% and 4.8% respectively of annualised base fee income (based on FUM as at 31 December 2012), compared to only 22.9% and 2.4% respectively of FUM.

⁶ Being the index used by the Contango Wholesale Microcap Fund to benchmark its performance.

We have been advised that there are no other material net assets nor material liabilities in Contango Group.



Profitability

The reported results of CAML for the two years ended 30 June 2012 (FY12) and the six months ended 31 December 2012 (HY13) are summarised below:

CAML – Summary of reported NPAT			
	FY11	FY12	HY13
Year ended 30 June	\$000	\$000	\$000
Management fee income:			
Contango Microcap:			
Base fees	2,852	2,387	1,020
Performance fees	3,339	-	-
Contango Capital	383	325	146
Other	5,076	3,430	1,682
Total management fee income	11,650	6,142	2,848
Interest and other income	181	189	57
Total revenue	11,831	6,330	2,906
Employee benefits expense	(7,003)	(3,224)	(1,689)
Other expenses	(1,664)	(1,363)	(663)
PBT	3,164	1,744	554
Tax expense	(969)	(545)	(166)
NPAT	2,195	1,199	388

- FUM and performance fee income are key drivers of CAML's profitability. FUM declined from \$1,443 million as at 30 June 2010 to \$745 million as at 30 June 2011, primarily due to the loss of a large investment mandate in December 2010 (which accounted for some \$786 million of the FUM as at 30 June 2010) and the loss of a number of smaller mandates. Based on the level of FUM as at 31 December 2012 total base management fee income would be approximately \$6.0 million per annum.
- CAML is entitled to performance fees under its IMAs with Contango Microcap, Contango Capital and some other investment mandates. In the seven and a half years ended 31 December 2012, three annual performance fees⁸ have been received totalling \$16.6 million (representing an average of some \$2.2 million per annum). Management have advised that a significant amount of performance fee income is paid out in performance bonuses to employees once CAML's profitability hurdles have been met.

⁸ Received in FY06, FY07 and FY11.



Earnings adopted for valuation purposes

- Due to the significant reduction in FUM in FY11, the level of net profit after tax (NPAT) achieved in that year is not a reliable indicator of future earnings. Further, the FY11 result included a significant performance fee, which varies from year to year (and is often nil).
- For valuation purposes we believe it is therefore more appropriate to adopt earnings based on:
 - (a) the annualised base management fee income which would be derived from the level of FUM as at 31 December 2012 (i.e. \$6.0 million); and
 - (b) average performance fees received over recent years (i.e. \$2.2 million, being the average over the last seven and a half years).
- On this basis the level of NPAT adopted for valuation purposes is as follows:

CAML – Earnings adopted for valuation purposes	
	\$000
Base management fee income	6,000
Employee benefits expense ⁽¹⁾ (55%)	(3,300)
Other expenses	(1,350)
Average performance fee income (at 25%) ⁽²⁾	550
Interest income ⁽³⁾	15
PBT	1,915
Tax at 30%	(575)
NPAT	1,340

Note:

- 1 Excluding performance bonuses.
- 2 As 75% of performance fees are typically paid to employees as performance bonuses.
- 3 Interest on cash required for working capital and regulatory licence requirements at 3% per annum.

PE multiple

- In assessing the appropriate PE multiple to apply when valuing CAML we have considered:
 - (a) the PE multiples for Australian listed funds management businesses. However, in our opinion, the multiples for these listed companies are not particularly relevant due to the fact that they are substantially larger than CAML and are generally not dependent on a small number of investment mandates. As a result these companies trade on significantly higher PE multiples than considered appropriate for CAML
 - (b) the very high level (33.5%) of annualised base management fee income (based on FUM as at 31 December 2012) derived from the Contango Microcap investment mandate and the relatively short remaining term of that mandate⁹
 - (c) the high level of base management fees charged to Contango Microcap and Contango Capital compared to other CAML's wholesale mandates and the risk of fee reductions upon renewal of the mandates

⁹ The Contango Microcap mandate terminates in April 2014 (i.e. in just over one year).



- (d) the risk of Contango Capital and Contango Microcap undertaking capital management (or other) initiatives which have the effect of reducing future management fees
- (e) the small number of investment mandates held by CAML (currently some 13) and the impact the loss of a single mandate would have on profitability
- (f) the terms of CAML's wholesale investment mandates, which can generally be terminated with a 30 day notice period
- (g) the level of performance fee income assumed in the earnings adopted for valuation purposes, which has also been derived from the Contango Microcap mandate
- (h) the higher risk associated with future performance fee income compared to base management fee income
- (i) the significant decline in FUM since 30 June 2010
- (j) despite recent good investment performance in FY11, the immediate prospect of winning new investment mandates in the existing economic environment is subdued
- (k) the fact that Contango Capital has joint rather than full control over Contango Group (and therefore CAML)¹⁰.
- Based on the above and the significant risks associated with an investment in Contango Group / CAML, in our opinion, a PE multiple of 4.5 to 5.5 is appropriate when valuing Contango Capital's interest in Contango Group / CAML¹¹.

Surplus assets

We have reviewed CAML's financial position as at 31 December 2012 and discussed with management the level of cash required for working capital purposes. Based on this review we believe CAML has the following surplus cash as at 31 December 2012:

CAML – Surplus assets	
	\$000
Cash	1,735
Add: staff loans	667
Add: investments	301
Surplus assets before consideration of cash required for working capital purposes	2,703
Less assumed level of cash required for working capital purposes	500
Surplus assets	2,203

We note that 50.004% of Contango Group is held by senior management, but that major business decisions require a 75% majority.

¹¹ Our value range reflects a small discount for joint rather than full control.



- As indicated above, we have assumed that \$500,000 of cash would need to be retained for working capital purposes. In forming this opinion we note that:
 - (a) as CAML holds an Australian Financial Services Licence (AFSL) it is required to hold a minimum level of cash holdings of approximately \$230,000. This has reduced significantly over recent years due to changes to their AFSL licence requirements and the fact that its managed investments are held by a registered custodian
 - (b) CAML would need to hold cash balances in excess of the regulatory minimum to ensure it maintains an appropriate "margin of safety"
 - (c) average monthly operating expenses (including employee costs) are approximately \$388,000
 - (d) in the large majority of mandates, base management fees are payable quarterly (indicating that more than one month's expenses may need to be funded)
 - (e) in our view, a short term debt facility (such as an overdraft) could be used to fund short term working capital requirements above \$500,000 if required.

Valuation of investment in CAML

Based on the above we have adopted the following value for Contango Capital's investment in Contango Group:

CAML – Valuation of investment in CAML		
	Low \$000	High \$000
NPAT adopted for valuation purposes	1,340	1,340
PE multiple	4.5	5.5
	6,030	7,370
Surplus assets	2,203	2,203
Value of Contango Group / CAML ⁽¹⁾	8,233	9,573
Contango Capital interest in Contango Group / CAML	49.996%	49.996%
Value of Contango Capital interest in Contango Group / CAML	4,116	4,786

Note:

1 Determined on a joint controlling interest basis. The NTA of CAML as at 31 December 2012 was \$3.1 million (100% basis). Given the risks identified with respect to CAML, in our opinion, a value above our assessed values could not be justified on a "market value" basis. We note that, even if the carrying value in Contango Capital's financial statements of its investment in CAML was adopted for valuation purposes, then the resulting value of Contango Capital shares would still be below the Offer price.

Tax losses and franking credits

Tax losses

- As at 30 June 2012 Contango Capital had realised income tax losses of \$59.0 million. These tax losses principally arose due to the significant decline in value of the investment portfolio concurrent with and subsequent to the global financial crisis (GFC).
- The future utilisation of these tax losses is dependent on, inter alia:



- (a) the ability of Contango Capital to meet the "continuity of ownership" or "same business" tests
- (b) future returns from the investment portfolio, net of on-going management fees and administration costs.
- A purchaser of Contango Capital would need to meet the "same business" test in order to utilise the tax losses. We understand that the scope of the "same business" test is intended to be limited and has been applied accordingly by the Australian Taxation Office (ATO). If a third party acquired Contango Capital and either changed its investment mandate and/or increased the scale of the company's activities the "same business" test may not be satisfied to enable a recoupment of the prior year income tax losses carried forward.
- Further, we note that purchasers are generally reluctant to pay any significant value for tax losses due to, inter-alia, the uncertainty associated with their ability to utilise the tax losses (particularly following a change of control).
- However, we recognise that the tax losses have some value as they will shield future returns from the existing portfolio from tax until such time as the tax losses are utilised (or become unavailable). Accordingly, we have valued the tax losses at the present value of the tax benefit likely to be received over a three or five year timeframe assuming the portfolio returned, on average, 6% to 8% per annum (before tax) over this period. In our opinion, tax losses utilised after this period are unlikely to have any material value due to the significant uncertainty associated with their future utilisation. A discount rate of 15% per annum was applied to recognise the risks associated with utilising the tax losses.
- On this basis we have assessed the value of the tax losses at \$0.8 million to \$1.7 million.

Franking credits

As stated in Section II, Contango Capital has franking credits of approximately \$2.4 million. While a dividend can now be paid provided the company paying the dividend will remain solvent and its assets exceed its liabilities after paying the dividend, in order to frank a dividend the dividend must be paid out of profits. As Contango Capital has accumulated losses it cannot currently pay franked dividends. As a result we have not attributed any value to its franking credits.

Allowance for future management fees

- As stated above Contango Capital is managed by CAML under an IMA which expires in May 2017. The IMA does not include any provision which allows Contango Capital to terminate the agreement earlier, other than in the event of a default by CAML (which is considered unlikely).
- We note that future management fees could potentially be reduced over the remaining term by returning capital to Contango Capital shareholders (thereby reducing the value of Contango Capital upon which future management fees are levied). However if this was assumed:
 - (a) the ability to utilise existing tax losses would be further reduced (due to the lower level of funds remaining in Contango Capital), and a lower value for tax losses would be appropriate



- (b) capital management initiatives to reduce future management fees payable would undermine the ability to realise our assessed value of Contango Capital's investment in Contango Group / CAML.
- Given the above and the value of Contango Capital's investment in Contango Group / CAML, we have therefore considered the present value of the future management fees payable over the period to expiry to CAML directly by Contango Capital pursuant to the IMA using a discount rate of 10% per annum. On this basis we assessed the present value of future management fees at \$1.0 million to \$1.1 million¹² (before tax¹³). However, for valuation purposes we have adopted a value for future management fees of \$0.7 million to \$1.1 million. The low end of this range reflects the possibility that a purchaser may be able to negotiate reduced management fees over the remaining term or agree a lump sum termination payment which is lower than the present value of future fees payable (on the basis that the services are not required)¹⁴.
- We note that Contango Capital also incurs other administration costs, such as Director fees, accounting and audit fees and shareholder communication expenses. However, in our view, these costs could be eliminated by a purchaser of 100% of the company. Accordingly, in our opinion, no allowance should be made for these other administration costs when valuing 100% of the shares in Contango Capital because they would not necessarily need to be incurred if the company was 100% owned.

¹² Based on the NTA of Contango Capital at 31 December 2012 the annualised base management fee is approximately \$290,000.

¹³ No significant tax benefit will arise due to carried forward tax losses.

¹⁴ As noted above this risk has been also been taken into account when assessing the value of CAML.



IV Evaluation of the Offer

Summary of opinion

71 LEA has concluded that the Offer is fair and reasonable. We have arrived at this conclusion for the reasons set out below.

Assessment of fairness

72 Pursuant to RG 111 an offer is "fair" if:

"The value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer."

73 This comparison is shown below:

Comparison of the Offer consideration to value of Co	ntango Capital		
	Low \$ per share	High \$ per share	Mid-point \$ per share
Value of the Offer consideration	0.95	0.95	0.95
Value of 100% of Contango Capital	0.73	0.85	0.79
Extent to which the Offer consideration exceeds (or is	0.73	0.03	0.17
less than) the value of Contango Capital	0.22	0.10	0.16
, 2 1			

As the consideration offered by Contango Microcap is above our assessed value of 100% of the ordinary shares in Contango Capital, in our opinion, the Offer is fair.

Assessment of reasonableness

- Pursuant to RG 111, an offer is reasonable if it is fair. Consequently we have concluded that the Offer is both fair and reasonable.
- 76 In assessing whether the Offer is reasonable LEA has also considered:
 - (a) the extent to which the Offer consideration exceeds the NTA of Contango Capital
 - (b) the extent to which a share of the synergies likely to arise upon an acquisition of Contango Capital are being shared with Contango Capital shareholders¹⁵
 - (c) Contango Microcap's current 74.8% shareholding in Contango Capital
 - (d) the value of Contango Capital to an alternative offeror and the likelihood of a higher alternative offer emerging, either prior to the close of the Offer, or sometime in the future
 - (e) the ability for existing shareholders to realise their non-marketable holdings at a premium to NTA and our assumed value range
 - (f) other risks, advantages and disadvantages.
- 77 These issues are discussed in detail below.

¹⁵ Since Contango Capital is an investment company, synergies would not be material.



Comparison with NTA of Contango Capital

Given that Contango Capital no longer has a visible listed market price, we have also compared the Offer consideration with the reported net tangible asset (NTA) backing of the company. As set out below the Offer price represents a 10 cent per share premium to the reported NTA as at 31 December 2012:

	\$
Offer consideration	0.95
Reported NTA as at 31 December 2012	0.85
Offer premium to reported NTA	0.10

79 This premium suggest that the Offer price reflects a share of the potential synergies which might be achieved by Contango Microcap should it be able to acquire 100% of Contango Capital.

Likelihood of an alternative offer

- In our opinion, there is no realistic likelihood of a higher offer or superior proposal to the Offer being received prior to the expiry of the Offer. This is because:
 - (a) Contango Microcap owns 74.8% of Contango Capital shares on issue, which is likely to deter alternative offerors
 - (b) any alternative offer by another party for 100% of Contango Capital could not succeed unless Contango Microcap agreed to sell its shareholding
 - (c) Contango Microcap has not indicated any intention of selling its shareholding.

Ability for existing shareholders to realise their non-marketable holdings

- 81 Given that Contango Capital shares are not listed on any stock exchange, minority shareholders can not easily realise their holdings without incurring significant search and transaction costs associated with finding a willing counter-party.
- 82 In our opinion, it would be highly unlikely for shareholders to be able to realise their share holdings in Contango Capital in the near future at a premium to the Offer price in the absence of the Offer. In our view Contango Capital shareholders should therefore consider accepting the Offer.

Conclusion

Based upon the above we have concluded that the Offer is fair and reasonable.



Other matters

- 84 The taxation consequences of accepting the Offer depend on the individual circumstances of each investor. Shareholders should read the taxation advice set out in the Bidder's Statement and should consult their own professional adviser if in doubt as to the taxation consequences of the Offer.
- The ultimate decision whether to accept the Offer should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If shareholders are in doubt about the action they should take in relation to the Offer or matters dealt with in this report, shareholders should seek independent professional advice.



Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Target Statement to be sent to Contango Capital shareholders in connection with the Offer.
- This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$13,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.



Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 27 363 George Street Sydney NSW 2000 (or GPO Box 1640, Sydney NSW 2001)



Appendix B

Qualifications, declarations and consents

Qualifications

- LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared many hundred independent expert's reports.
- This report was prepared by Mr Edwards and Mr Coleman, who are each authorised representatives of LEA. Mr Edwards and Mr Coleman have over 19 years and 26 years experience respectively in the provision of valuation advice.

Declarations

17 This report has been prepared at the request of the independent directors of Contango Capital to accompany the Target Statement to be sent to Contango Capital shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Offer is fair and reasonable to the shareholders of Contango Capital.

Interests

- At the date of this report, neither LEA, Mr Edwards nor Mr Coleman have any interest in the outcome of the Offer. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 19 LEA has had no prior business or professional relationship with Contango Capital or Contango Microcap other than the preparation of an IER in October 2011.

Indemnification

As a condition of LEA's agreement to prepare this report, Contango Capital agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Contango Capital which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

21 LEA consents to the inclusion of this report in the form and context in which it is included in Contango Capital's Target Statement.



Appendix C

Glossary

Term	Meaning
AFSL	Australian Financial Services Licence
AIFRS	Australian equivalent to International Financial Reporting Standards
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
CAML	Contango Asset Management Limited
CGT	Capital gains tax
Contango Capital	Contango Capital Partners Limited
Contango Group	Contango Group Pty Limited
Contango Microcap	Contango Microcap Limited
Corporations Act	Corporations Act 2001 (Cth)
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FUM	Funds under management
FY	Financial year
GFC	Global financial crisis
IER	Independent expert's report
IMA	Investment Management Agreement
LEA	Lonergan Edwards & Associates Limited
NPAT	Net profit after tax
NPV	Net present value
NTA	Net tangible asset
Offer	Off-market takeover offer for Contango Capital at \$0.95 cash per share
PBT	Profit before tax
PE	Price earnings
RG 111	Regulatory Guideline 111 – Content of expert reports
VWAP	Volume weighted average price