

Contango MicroCap Limited
ABN 47 107 617 381

AUDIT & COMPLIANCE COMMITTEE CHARTER

FEBRUARY 2014



1. DEFINITIONS

CTN group is defined as the companies and associated reporting entities owned and/or controlled by Contango Microcap Limited. This includes but is not limited to:

- Bellwether Partners Limited (“BPL”)
- The Bellwether Australian Share Fund (“BAS”);
- Contango Asset Management Limited (“CAML”);
- The Contango Managed Investment Scheme Funds (“CMIS”); and
- Contango Group Pty Ltd (“CGPL”).

2. INTRODUCTION

This Audit & Compliance Committee (“AC”) Charter has been established by the CTN board to satisfy the requirements of the Australian Stock Exchange’s (“ASX”) Corporate Governance Principles and Recommendations in relation to listed companies. It has also been established to govern the activities of BPL and CAML as Australian Financial Services Licensees as well as the non-listed entities within the CTN Group.

It should be noted that no managed investment scheme Compliance Committee is required for either CAML or BPL pursuant to sec. 601 JA (1) of the Corporations Act as such committees are only required to be established if less than half of the directors of the responsible entity are external directors.

3. FUNCTIONS OF THE COMMITTEE

The Committee shall assist the CTN Board to discharge its responsibilities for the CTN Group.

With respect to the CTN group’s financial statements and financial reporting, to monitor:

- ▶ the audit of CTN group companies including Bellwether Partners Limited (“BPL”) and Contango Asset Management Limited (“CAML”) in their capacities as Australian Financial Services Licensees (“AFSL”);
- ▶ CTN’s annual insurance program;
- ▶ the CTN Group’s Risk Management Systems;
- ▶ compliance with legal and regulatory obligations for the CTN group including BPL and CAML as holders of AFSLs.

3.1 *In relation to CAML’s activities*

Monitoring to what extent CAML in its capacity as an RE, complies with it’s AFSL and the Contango Managed Investment Scheme Compliance plan and report its findings to the CAML/RE board;

To report to the RE:

- (a) any breach of the Corporations Act involving the Scheme; or
- (b) any breach of the provisions included in the Scheme(s) constitutions in accordance with 601GA of the Corporations Act, of which the Committee becomes aware or that it suspects;

- (c) to assess at regular intervals whether CAML's Scheme compliance plan is adequate, to report to the RE on the assessment, and to make recommendations to the Board about any changes that it considers should be made to the Scheme compliance plan.

In addition, the Committee shall:

- (a) monitor, and review any significant recommendations relating to changes in legislative requirements which may impact on CAML's Scheme's compliance plan or the RE generally; and
- (b) receive and review reports from CAML regarding the operation and adequacy of compliance systems utilised by the RE. The form of the reports shall be agreed with the Committee.

3.2 In relation to BPL's activities

The Committee shall:

- (a) monitor to what extent BPL in its capacity as an AFSL holder complies with its AFSL;
- (b) monitor and review any significant recommendations relating to changes in legislative requirements which may impact on BPL as an AFSL holder; and
- (c) receive and review reports from BPL regarding the operation and adequacy of compliance systems utilised by BPL. The form of the reports shall be agreed with the Committee.

In carrying its functions, the Committee may commission independent legal, accounting and other professional advice or assistance at the reasonable expense of the relevant CTN group entity. The Committee will notify the relevant CTN group entity's board through the CEO before commissioning any advice.

The Board of CTN authorises the C A R M within the scope of its responsibilities to perform the activities identified within this Charter.

4. SELECTION AND APPOINTMENT OF MEMBERS

4.1 Membership

In selecting and appointing members of the Committee, the Board of CTN shall consider the skills, experience, qualifications, good fame and character and such other determinants as it considers is necessary in order for the membership and proper functioning of the Committee.

The AC will comprise at least two members and the majority of members must be independent. Members may comprise either non-executive directors, executive directors or independent specialist compliance committee professionals.

At least one member should have accounting or associated financial management expertise and/or experience.

The CTN board will appoint an independent non-executive director as Chairman of the AC (other than the Chairman of the CTN Board).

The company secretary of CTN or other staff member approved by the Chairman of the Committee, will be the secretary of the Committee.

4.2 Retirement of Members

A Committee member may retire by giving written notice.

4.3 Removal of members

The Board, or a delegate authorised by the Board, may remove a Committee member by giving notice to them in writing.

4.4 Indemnifying members

A Committee member may be indemnified, subject to the approval of the CEO.

4.5 Assessment

The Chairman shall conduct an annual assessment of the performance, duties and responsibilities of the Committee members and shall provide a report of the findings to the Board, or a delegate authorised by the Board.

The Chairman of the CTN board will conduct the annual performance assessment of the Committee's Chairman.

5. COMMITTEE MEETINGS

5.1 Frequency of meetings

The AC will meet on a quarterly basis or more frequently if required. Meetings can be conducted by AC members in person, via telephone or internet conferencing from any location.

5.2 Who may attend meetings

The Committee may invite any director, the Compliance Officer, the external auditor of the CTN group of companies any staff member of the Responsible Entity, or other individuals to attend any meeting of the AC. Other board members are entitled to attend AC meetings, but have no voting rights.

At its discretion, the Committee may consult with the external auditor or other professional advisers outside the presence of management.

5.3 Quorum

Meetings will be convened when a quorum of two AC members is present. The business of the AC may be conducted by the passing of either ordinary or circular resolutions.

5.4 **Agenda**

The agenda for the AC is prepared by the Secretary of the AC in consultation with the CFO and, if required, other members of management. The Chairman of the AC approves the agenda.

6. **DUTIES AND RESPONSIBILITIES**

6.1 **Conduct**

All members of the Committee must:

- (a) act honestly; and
- (b) exercise the degree of care and diligence that a reasonable person would exercise if they were in the member's position; and
- (c) not make use of information acquired through being a member of the Committee in order to:
 - (i) gain an improper advantage for the member or another person; or
 - (ii) cause detriment to the members of CAML's registered managed investment scheme or to any CTN Group company ; and
 - (iii) not make improper use of their position as a member of the Committee to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to the members of CAML's registered managed investment scheme or to any CTN Group company ; and
 - (iv) the Board, or a delegate authorised by the Board, may request that a Committee member provide complete information where the Board suspects that the member is in breach of their duties as a Committee member; and
 - (v) must disclose to the Committee a direct or indirect pecuniary interest that they have in a matter being considered, or about to be considered by the Committee, if their interest could conflict with the proper performance of their duties in relation to the consideration of the matter. This interest must be disclosed at the first meeting of the Committee after the interest and relevant facts become known to the member. The minutes of the meeting must record this event; and
 - (vi) must keep confidential any confidential information concerning CAML's registered managed investment scheme or any CTN Group company which is disclosed to the member.

6.2 ***In relation to the CTN group's financial statements and financial reporting (including its AFSL holders, managed investment scheme and compliance plan).***

The AC shall:

- ▶ review the accounting, tax, policies and principles applied throughout the CTN Group and be satisfied with their appropriateness;
- ▶ review the integrity of the CTN Group's financial reports and statements, comprising the Financial Reports of all CTN group members including its Australian Financial Services Licensees, managed investment schemes and compliance plans, ASX Appendix 4D/4E's produced for the full and half-year and the full year/half year Investor Reports) with management and the external auditors.

- ▶ consider whether the CTN Group's financial reports and statements are consistent with the AC's knowledge and adequate for shareholder needs, in order to recommend their approval by relevant CTN Group boards;
- ▶ in consultation with management, review the effectiveness of the CTN Group's financial reporting systems and processes with external auditors;
- ▶ review with management any significant accounting and financial reporting issues identified by management or the external auditors;
- ▶ assess any changes in financial reporting requirements and professional accounting requirements and standards, and advise and/or make recommendations to the Board;
- ▶ review management representation letters to the external auditor for completeness and appropriateness; and
- ▶ review the CEO and CFO declarations regarding the financial reports and statements, prepared in accordance with the requirements of the Corporations Act 2001 and the ASX Corporate Governance Principles and Recommendations.

6.3 External Auditor for the CTN Group (including its AFSL holders, managed investment scheme and compliance plan).

The duties of the AC include:

- ▶ to monitor the activities of the auditor including:
 - reviewing the half year and annual audit plan, terms of engagement and proposed fee with the auditor;
 - auditor's findings in respect of weaknesses in controls or disagreement with management;
 - ensuring the provision of non- audit services are consistent with the role of an auditor; and
 - annual assessment of the performance of the auditor.
- ▶ review the independence of the external auditor and timing of rotation of audit engagement partner having regard to requirements set out in the Corporations Act.
- ▶ recommend to the Board the selection or replacement of the external auditor. The selection process includes the following steps:
 - the Committee will determine whether a formal tender or other process is appropriate. If requested to do so by the Committee, the CEO and or company secretary will assist the Committee in establishing an appropriate process for selection and will provide a written recommendation; and
 - the Committee will ensure the proposed auditor has appropriate processes in accordance with the Corporations Act to maintain independence, to rotate audit engagement partners and to manage provision of non- audit services.

6.4 Risk Management

- ▶ review the effectiveness of the CTN Group's risk management systems, including key risk management and compliance policies by reviewing them and recommending them to the Board for approval;
- ▶ to periodically review the risk management practices in relation to all CTN Group members including its AFSL holders;
- ▶ agree with management and keep the Board informed of material business risks; and

- ▶ oversee and monitor each business' effectiveness in managing its key risks and internal controls.

6.5 Insurance

- ▶ recommend to the CTN board for approval of the scope, cover and cost of the insurance program for the CTN group.

6.6 Other matters

- ▶ receive copies of key correspondence and key reports from regulators; and
- ▶ be satisfied as to the effectiveness of the CTN Group's processes to receive and manage complaints regarding accounting, internal controls or auditing matters from employees.

7. ROLE OF MANAGEMENT

Management is responsible for:

- ▶ the preparation, presentation and integrity of the CTN Group's financial reports and statements;
- ▶ implementing, managing and maintaining appropriate accounting, financial reporting and risk management strategies; and
- ▶ maintaining sufficient knowledge, skills and expertise within CTN's finance, risk and compliance functions.

It is the responsibility of the Chief Financial Officer, (and other members of senior management, as appropriate), to ensure that all financial and accounting matters are appropriately communicated to the AC.

AC members may rely on the accuracy of information provided by management, unless members are aware of any reasonable grounds on which such reliance or assumption may not be appropriate.

8. ACCESS

- ▶ The AC members will at all times have:
 - free and unfettered access to the external auditors, senior management, external auditors and any staff members at any time; and
 - unrestricted access to explanations and additional information the AC considers relevant to its responsibilities.
- ▶ The AC must meet with the external auditors in separate sessions at least once a year without management being present.
- ▶ Members of the AC must take all reasonable steps to assist ASIC in carrying out a surveillance check under section 601FF(1) of the Corporations Act.

9. REPORTING

- ▶ The AC will make a copy of its minutes available to the CTN board. The Chairman of the AC has authority to approve and sign minutes. Minutes of each meeting will be kept by the Secretary. Minutes will be distributed to all AC members and will be included in the board papers for the subsequent CTN Board meeting.

- ▶ through its Chairman, regularly update and make recommendations to the CTN Board on matters falling within the scope of its role and responsibilities; and
- ▶ ensure the Board is aware of matters before the AC that may materially impact the financial conditions of the business.

9.1 External reporting

Management is responsible for the preparation of all financial statements for all entities within the CTN group that are required to be prepared in accordance with generally accepted accounting principles and applicable rules and regulations.

The external auditor is responsible for planning and conducting audits and applicable rules and regulations.

It is the responsibility of the AC in consultation with the external auditor and management to exercise a high level of due diligence in relation to the accuracy and completeness of all financial reports. This includes CAML's managed investment scheme Funds and BPL's Funds half year and annual financial reports as well as annual financial reports and AFSL audit requirements.

This due diligence will include:

- ▶ requesting management to prepare a report on the proposed accounting treatment for each reporting period outlining any significant matters or accounting standards impacting on the financial statements and any proposed changes in accounting policy.
- ▶ review and discuss with management and the external auditor the appropriateness of the accounting policies, compliance with accounting standards and relevant legislation and any significant change to those policies.
- ▶ requesting management to complete a checklist/representation letters in relation to the half year and annual financial report and internal control procedures.
- ▶ review of the external auditors Board Reports; and
- ▶ providing a recommendation to the Board concerning approval and release of the financial reports and directors' reports.

9.2 Internal Compliance Reporting

The AC has the responsibility of monitoring and reporting regarding all compliance matters that pertain to the CTN Group of companies.

In relation to BPL and CAML Funds, the AC has the responsibility of:

- ▶ monitoring and reporting to the Board regarding BPL's and CAML's role as Responsible Entities including CAML's compliance with its compliance plan.
- ▶ reporting breaches of the Corporations Act, Fund Constitutions or Compliance Plan to the relevant Board of CTN, BPL or CAML and to ASIC where required.
- ▶ assessing the adequacy of CAML's compliance plan and making recommendations regarding any changes to the respective plan.

10. ANNUAL REVIEW

This Charter shall be reviewed by the Chairman of the Committee (or a nominated delegate) no less frequently than annually. Any amendments must be approved by the CTN Board.

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