



**CHARTER
PACIFIC**
Corporation Limited

Appendix 4D

Interim financial report

Half year ended 31 December 2016

For announcement to the market

Revenues from ordinary activities	Down	(73.53%)	to	\$	3,079
Loss from ordinary activities after tax attributable to owners of the Company	Down	(81.47%)	to	\$	(1,452,039)
Loss for the period attributable to owners of the Company	Down	(81.47%)	to	\$	(1,452,039)

No dividend has been declared for the current period and no dividend was declared or paid for the previous period.

The net tangible assets (NTA) per security as at 31 December 2016 was (\$0.0351) (30 June 2016: (\$0.0292)).

The accounts have been reviewed.

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**CHARTER PACIFIC CORPORATION LIMITED
& ITS CONTROLLED ENTITIES**

31 DECEMBER 2016 INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

The Directors present their report together with the consolidated interim financial report for the six months ended 31 December 2016 and the auditor's review report thereon.

Directors

The Directors of the Company at any time during or since the end of the interim period are:

Name	Period of Directorship
Mr Kevin John Dart Managing Director/Executive Chairman	Director since 1988 - appointed Managing Director 1988. Appointed Executive Chairman 29 November 2013.
Mr Peter John Bradfield	Director since 13 August 2007.
Mr David Henry Selfe	Director since 7 June 2012.

Review of Operations

Principal Activities

The principal activities of the Group during the course of the six months ended 31 December 2016 were to continue efforts to monetise its resources assets and enter into a share purchase agreement to acquire Microlatch Group of companies.

On 7 October 2016 the Company executed a Share Purchase Agreement to acquire 100% of the Microlatch Group (Microlatch). Microlatch comprises Microlatch Pty Ltd (ACN 059 640 747), Securicom (NSW) Pty Limited (ACN 053 874 089) and Microlatch Limited (a UK registered company with Company No 08625097).

Other than this there were no significant changes in the nature of the activities of the Group during the six months ended 31 December 2016.

Operating & Financial Review

The results of the Group showed a consolidated operational net loss, attributable to the members of Charter Pacific Corporation Limited of \$1,452,039 (2015:(\$4,604,850)).

A Summary of the Major Investments of the Group are as follows:

MAURITANIA

The Company owns through its wholly owned subsidiaries, West Africa Iron Pty Ltd and West Africa Resources Pty Ltd, a 51% interest in Mauritanian iron ore exploration permits 792 and 791 respectively. The Company has the right to move to 100% ownership of both permit 792 and 791 at its election

**CHARTER PACIFIC CORPORATION LIMITED
& ITS CONTROLLED ENTITIES**

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DIRECTORS' REPORT (continued)

MICROLATCH GROUP

On 17 June 2016 the Company announced that it has entered into a Non-Binding Term Sheet under which it has reached agreement in principle to acquire a 100% interest in the business of the Microlatch Pty Ltd group of Companies.

Microlatch are leaders in the design, development of mobile biometrics solutions. In particular, Microlatch offers biometric secure access to mobile computing devices and wireless platforms. The key technology protected by the patents relates to biometrics being aligned with RF (Radio Frequency), NFC Payment technology (Near Field Communication) and Bluetooth for secure access to a controlled item. These patents impact on a number of companies globally using Biometrics today.

On 7 October 2016 the Company executed a Share Purchase Agreement to acquire 100% of the Microlatch Group (Microlatch). Microlatch comprises Microlatch Pty Ltd (ACN 059 640 747), Securicom (NSW) Pty Limited (ACN 053 874 089) and Microlatch Limited (a UK registered company with Company No 08625097).

The acquisition of Microlatch will be subject to Charter Pacific shareholders' approval and compliance with ASX Listing Rules and the Corporations Act 2001 (Cth). The details of the proposed acquisition will be set out in a Notice of Extraordinary General Meeting, which will include an Information Memorandum about Integrity and an Independent Expert's Report for shareholders consideration and approval.

Subsequent Events

On 5 January 2017 the Company raised \$920,000 from sophisticated investors for working capital requirements.

Other than the above there were no other matters or circumstances that have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial periods other than those mentioned in the interim financial report.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the six months ended 31 December 2016.

Dated at Gold Coast this 28th day of February 2017.

Signed in accordance with a resolution of the Directors:



Kevin J Dart
Director

DECLARATION OF INDEPENDENCE BY WAI AW OF CHARTER PACIFIC CORPORATION LIMITED

As lead auditor for the review of Charter Pacific Corporation Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Charter Pacific Corporation Limited and the entities it controlled during the period.



Wai Aw
Partner

BDO East Coast Partnership

Melbourne, 28 February 2017

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31 DECEMBER 2016 INTERIM FINANCIAL REPORT

**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	NOTE	31-Dec-16 \$	30-Jun-16 \$
CURRENT ASSETS			
Cash and cash equivalents		629,277	80,260
Trade and other receivables		68,219	137,224
Prepayments		<u>1,916</u>	<u>-</u>
Total current assets		<u>699,412</u>	<u>217,484</u>
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	8	-	-
Property, plant and equipment		<u>2,314</u>	<u>3,051</u>
Total non-current assets		<u>2,314</u>	<u>3,051</u>
Total assets		<u>701,726</u>	<u>220,535</u>
CURRENT LIABILITIES			
Trade and other payables		3,945,063	2,973,358
Loans, borrowings and financial liabilities	9	2,554,021	1,792,236
Employee benefits		<u>1,728,448</u>	<u>1,640,848</u>
Total current liabilities		<u>8,227,532</u>	<u>6,406,442</u>
NON-CURRENT LIABILITIES			
Total non-current liabilities		<u>-</u>	<u>-</u>
Total liabilities		<u>8,227,532</u>	<u>6,406,442</u>
NET LIABILITIES		<u>(7,525,806)</u>	<u>(6,185,907)</u>
EQUITY			
Issued capital		28,912,500	28,800,359
Reserves		1,888,048	1,888,048
Accumulated losses		<u>(38,326,354)</u>	<u>(36,874,314)</u>
Total deficiency attributable to shareholders of the Company		<u>(7,525,806)</u>	<u>(6,185,907)</u>
Non-controlling interest		<u>-</u>	<u>-</u>
TOTAL DEFICIENCY		<u>(7,525,806)</u>	<u>(6,185,907)</u>

The notes on pages 9 to 15 are an integral part of these consolidated interim financial statements.

**CHARTER PACIFIC CORPORATION LIMITED
& ITS CONTROLLED ENTITIES**

31 DECEMBER 2016 INTERIM FINANCIAL REPORT

**CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	31-Dec-16	31-Dec-15
	\$	\$
Revenue	3,079	11,631
Expenses		
Depreciation and amortisation expenses	(737)	(6,133)
Rent and occupancy costs	(4,004)	(55,565)
Professional fees	(170,290)	(213,599)
Travel expenses	(20,904)	(29,375)
Shareholder reports and registry costs	(24,435)	(37,358)
Employee expenses	(568,790)	(562,960)
Interest costs	(84,587)	(52,625)
Project costs	(137,636)	-
Other operating expenses	<u>(112,059)</u>	<u>(65,451)</u>
Net operating loss before impairment losses	<u>(1,120,363)</u>	<u>(1,011,435)</u>
Impairment losses	(331,676)	(9,525,320)
Derecognition of asset	-	(3,522,636)
Derecognition of liability	<u>-</u>	<u>6,223,942</u>
Loss before income tax	(1,452,039)	(7,835,449)
Income tax (expense)/benefit	<u>-</u>	<u>-</u>
Loss after income tax for the period	<u>(1,452,039)</u>	<u>(7,835,449)</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation	<u>-</u>	<u>214,610</u>
Other comprehensive income for the period, net of income tax	<u>-</u>	<u>214,610</u>
Total comprehensive income for the period	<u>(1,452,039)</u>	<u>(7,620,839)</u>
Loss for the period is attributable to:		
Non-controlling interest	-	(3,230,599)
Owners of Charter Pacific Corporation Limited	<u>(1,452,039)</u>	<u>(4,604,850)</u>
Loss for the period	<u>(1,452,039)</u>	<u>(7,835,449)</u>
Loss per share for the period attributable to the members of Charter Pacific Corporation Limited		
Basic loss per share	<u>(0.007)</u>	<u>(0.045)</u>
Diluted loss per share	<u>(0.007)</u>	<u>(0.045)</u>

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**CHARTER PACIFIC CORPORATION LIMITED
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**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	Issued capital \$	Option issue reserve \$	Fair value reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Non- controlling interest \$	Total equity/ (deficiency) \$
Balance at 1 July 2015	<u>27,794,600</u>	<u>1,872,243</u>	<u>(4,496)</u>	<u>(538,204)</u>	<u>(34,819,124)</u>	<u>3,230,599</u>	<u>(2,464,382)</u>
Total comprehensive income for the period							
Loss for the period	-	-	-	-	(4,604,850)	(3,230,599)	(7,835,449)
Other comprehensive income	-	-	-	214,610	-	-	214,610
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,610</u>	<u>(4,604,850)</u>	<u>(3,230,599)</u>	<u>(7,620,839)</u>
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
Shares issued, net of transaction costs	375,142	-	-	-	-	-	375,142
Value of conversion rights on convertible notes	<u>(1,365)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,365)</u>
Total transactions with owners	<u>373,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>373,777</u>
Balance at 31 December 2015	<u>28,168,377</u>	<u>1,872,243</u>	<u>(4,496)</u>	<u>(323,594)</u>	<u>(39,423,974)</u>	<u>-</u>	<u>(9,711,444)</u>
Balance at 1 July 2016	<u>28,800,359</u>	<u>1,872,243</u>	<u>-</u>	<u>15,805</u>	<u>(36,874,314)</u>	<u>-</u>	<u>(6,185,907)</u>
Total comprehensive income for the period							
Loss for the period	-	-	-	-	(1,452,039)	-	(1,452,039)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive (loss) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,452,039)</u>	<u>-</u>	<u>(1,452,039)</u>
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
Shares issued, net of transactions costs	86,400	-	-	-	-	-	86,400
Value of conversion rights on convertible notes	<u>25,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,741</u>
Total transactions with owners	<u>112,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,141</u>
Balance at 31 December 2016	<u>28,912,500</u>	<u>1,872,243</u>	<u>-</u>	<u>15,805</u>	<u>(38,326,354)</u>	<u>-</u>	<u>(7,525,806)</u>

The notes on pages 9 to 15 are an integral part of these consolidated interim financial statements.

**CHARTER PACIFIC CORPORATION LIMITED
& ITS CONTROLLED ENTITIES**

31 DECEMBER 2016 INTERIM FINANCIAL REPORT

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	31-Dec-16	31-Dec-15
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations (inclusive of GST)	-	5,000
Cash payments in the course of operations (inclusive of GST)	<u>(855,797)</u>	<u>(261,479)</u>
Cash used in operations	(855,797)	(256,479)
Interest paid	-	(2,367)
Interest received	<u>3,079</u>	<u>631</u>
Net cash used in operating activities	<u>(852,718)</u>	<u>(258,215)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to other entities	<u>(306,676)</u>	<u>(17,446)</u>
Net cash used in investing activities	<u>(306,676)</u>	<u>(17,446)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from converting notes	870,000	-
Proceeds from issue of shares	-	387,180
Repayments of outstanding loan balances	(81,589)	-
Deposits held	920,000	49,950
Proceeds from secured/unsecured loans	<u>-</u>	<u>25,000</u>
Net cash provided by financing activities	<u>1,708,411</u>	<u>462,130</u>
Net increase in cash and cash equivalents	549,017	186,469
Cash and cash equivalents at 1 July	<u>80,260</u>	<u>158,562</u>
Cash and cash equivalents at 31 December	<u>629,277</u>	<u>345,031</u>

The notes on pages 9 to 15 are an integral part of these consolidated interim financial statements.

**CHARTER PACIFIC CORPORATION LIMITED
& ITS CONTROLLED ENTITIES**

31 DECEMBER 2016 INTERIM FINANCIAL REPORT

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

Charter Pacific Corporation Limited (the “Company”) is a Company domiciled in Australia. The consolidated interim financial report of the Company, as at and for the six months ended 31 December 2016, comprises the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2016 is available upon request from the Company’s registered office at Level 9, 50 Cavill Avenue, Surfers Paradise Qld 4217 or at www.charpac.com.au.

2. Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with AASB 134 ‘Interim Financial Reporting’ and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. The half-year financial report should be read in conjunction with the annual financial report of Charter Pacific Corporation Limited as at 30 June 2016 which was prepared in accordance with the requirements of the *Corporations Act 2001* and applicable Australian Accounting Standards. It is also recommended that the half-year financial report be considered together with any public announcements made by the parent entity during the period 1 July 2016 to the date of this report in accordance with the continuous disclosure obligations of the ASX listing rules.

This consolidated interim financial report was approved by the Board of Directors on 28 February 2017.

3. Significant accounting policies

(a) Basis of accounting

The half-year financial report has been prepared on the basis of historical cost, except where stated. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

(b) Accounting policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company’s 2016 annual financial report for the financial year ended 30 June 2016.

(c) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with the current period’s disclosures.

(d) Fair values of financial instruments

Due to their short term nature, the carrying amount of the current receivables, current payables and current borrowings is assumed to approximate their fair value. The Group has a number of financial instruments which are not measured at fair value in the Statement of Financial Position.

**CHARTER PACIFIC CORPORATION LIMITED
& ITS CONTROLLED ENTITIES**

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. Going concern

The ability of the consolidated entity to continue as a going concern is dependent upon a number of factors including the future successful raising of necessary funding through equity and/or sale of non-core assets and also continuation of support by directors, Company Secretary and staff to meet any short term funding requirements of the consolidated entity.

The consolidated entity has incurred a loss after tax for the period ended 31 December 2016 of \$1,452,039, in a net asset deficiency position of \$7,525,806 and had net cash outflows from operating activities of \$852,718.

These conditions indicate a material uncertainty that may cast doubt about the consolidated entity's ability to continue as a going concern.

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- Directors are implementing plans to introduce new cornerstone investors to the Group to raise sufficient funds to meet budgeted cash outflows for operations and its new acquisition target, the Microlatch Pty Ltd group of companies that holds a portfolio of patents that relate to Biometrics being aligned with RF (Radio Frequency), NFC Payment technology (Near Field Communication) and Bluetooth for secure access to a controlled item such as smartphones, tablets, laptops and payment cards. These patents impact on a number of companies globally using Biometrics today in portable devices. It is a great opportunity for Charter Pacific and investors to benefit from the phenomenal global growth in mobile devices.
- Since the year ended 30 June 2016, the consolidated entity received funds from converting notes totalling \$1,794,000 to manage the cash flow requirements. This is indicative of an underlying level of support for the operations carried out by the consolidated entity.
- As at 31 December 2016, the consolidated entity had cash and cash equivalents of \$629,277.
- The Group has received letters of support from current Directors confirming that the outstanding Directors entitlements and retirement benefits will not be demanded from the Group within the next 12 months from the date of the interim financial report unless the Group raises sufficient capital to meet its operational requirements.
- The Group has received letters of financial support from the Directors, Company Secretary and staff (loan holders) confirming that demand of loan funds and unpaid interest as at 31 December 2016 will not be made on the Group within the next 12 months from the date of the interim financial report unless the Group raises sufficient capital to meet its operational requirements.
- The consolidated entity's indicative cash flow forecast for the next twelve months includes significant cash out flows in relation operations and its new acquisition. The consolidated entity has discretion over the quantum and timing of this type of expenditure.
- The Board is of the opinion that, subject to satisfactory market conditions, the Group will be able to access equity capital markets to raise sufficient funds for its ongoing operations, as and when required.
- Management of the consolidated entity will actively manage the current level of discretionary expenditures in line with the funds available to the consolidated entity.

Based on the above, the Directors are satisfied that, adequate plans are in place and that the consolidated entity is executing those plans to ensure it will have positive cash flows through to February 2018.

Should the consolidated entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

**CHARTER PACIFIC CORPORATION LIMITED
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31 DECEMBER 2016 INTERIM FINANCIAL REPORT

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2016.

6. Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2016.

7. Operating segments

For the six months ended 31 December 2016

CONSOLIDATED - 31 December 2016	CORPORATE SERVICES	EXPLORATION & EVALUATION	INVESTMENT	TOTAL
	\$	\$	\$	\$
Total external revenue	-	-	3,079	3,079
Inter-segment revenue	-	-	-	-
Depreciation and amortisation	-	-	(737)	(737)
Interest expenses	-	-	(84,587)	(84,587)
Impairment expenses	-	-	(331,676)	(331,676)
Project expenses	-	-	(137,636)	(137,636)
Other expenses	-	-	(900,482)	(900,482)
Profit/(Loss) before income tax expense	-	-	(1,452,039)	(1,452,039)
Assets				
Segment assets				
<i>Unallocated assets</i>				
Cash and cash equivalents			629,277	629,277
Other assets			72,449	72,449
Total assets			701,726	701,726
Liabilities				
Segment liabilities				
<i>Unallocated liabilities</i>				
Trade and other payables			3,945,063	3,945,063
Loans and borrowings			2,554,021	2,554,021
Employee benefits			1,728,448	1,728,448
Total liabilities			8,227,532	8,227,532

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& ITS CONTROLLED ENTITIES**

31 DECEMBER 2016 INTERIM FINANCIAL REPORT

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. Operating segments (continued)

CONSOLIDATED - 31 December 2015	CORPORATE SERVICES	EXPLORATION & EVALUATION	INVESTMENT	TOTAL
	\$	\$	\$	\$
Total external revenue	11,000	-	-	11,000
Inter-segment revenue	-	-	-	-
Depreciation and amortisation	-	-	(6,133)	(6,133)
Interest expenses	-	-	(52,625)	(52,625)
Impairment expenses	-	(9,125,372)	(399,948)	(9,525,320)
Derecognition of asset	-	(3,522,636)	-	(3,522,636)
Derecognition of liability	-	6,223,942	-	6,223,942
Other expenses	-	-	(963,677)	(963,677)
Profit/(Loss) before income tax expense	11,000	(6,424,066)	(1,422,383)	(7,835,449)
Assets				
Segment assets				
<i>Unallocated assets</i>				
Cash and cash equivalents		-	345,031	345,031
Other assets		-	101,892	101,892
Total assets		-	446,923	446,923
Liabilities				
Segment liabilities				
Unallocated liabilities				
Trade and other payables		-	2,811,984	2,811,984
Loans and borrowings		-	5,787,463	5,787,463
Employee benefits		-	1,558,920	1,558,920
Total liabilities		-	10,158,367	10,158,367

There were no major changes in segment assets during the period.

The Group comprises the following main operating segments:

- corporate services – the provision of company secretarial/accounting services;
- exploration and evaluation - the exploration of iron ore permits;
- investment – the operation of the company in obtaining new investment opportunities.

**CHARTER PACIFIC CORPORATION LIMITED
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31 DECEMBER 2016 INTERIM FINANCIAL REPORT

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. Exploration and evaluation expenditure

	31-Dec-16	30-Jun-16
	\$	\$
Costs carried forward in respect of area of interest in:		
- exploration and evaluation phases	-	-
	<u>-</u>	<u>-</u>
Opening balance	-	9,084,295
Acquisitions during the period	-	-
Expenditure during the period	-	46,377
Impairment written off	-	(9,130,672)
Closing balance	<u>-</u>	<u>-</u>

Ultimate recoupment of these costs is dependent on successful development and commercial exploration or alternatively sale of respective areas of interest.

Capitalised exploration and evaluation expenditure represents the accumulated cost of acquisition and subsequent cost of exploration and evaluation of the properties.

Following impairment analysis on capitalised exploration and evaluation expenditure, including assumptions on forecast iron ore price, ongoing expenditure and prospective plans, capitalised expenditure has been expensed through profit or loss.

On 19 May 2016 the Company transferred Charter Pacific's 60% interest in Legleitat Iron Mauritanie SA (LIM) to Groupe WAFA SA in full and final satisfaction of the US\$3 million loan from Groupe WAFA SA who also assumes all liabilities and obligations of Charter Pacific to the Mauritanian Government in respect to the project.

There are no major changes in this period, however the Company continues to monitor its underlying assets.

9. Loans, borrowings and financial liabilities

		CONSOLIDATED	
	Interest Rate	Years to Maturity	
			31-Dec-16
			30-Jun-16
			\$
			\$
Current			
Secured loans (i)	7.00%	< 1 year	1,096,582
Convertible note (ii)	8.00%	< 1 year	78,748
Secured loans (iii)	7.00%	< 1 year	305,704
Unsecured loan (iv)	0.00%	< 1 year	200,000
Converting note (v)	8.00%	< 1 year	872,987
			<u>2,554,021</u>
			<u>1,792,236</u>
(i) Secured loans *			
Opening balance			1,139,400
Proceeds from loans			-
Repayments			(81,589)
Rights issue			-
Accrued interest			38,771
Liability as at 31 December			<u>1,096,582</u>
			<u>1,139,400</u>

**CHARTER PACIFIC CORPORATION LIMITED
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31 DECEMBER 2016 INTERIM FINANCIAL REPORT

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. Loans, borrowings and financial liabilities (continued)

	CONSOLIDATED	
	31-Dec-16	30-Jun-16
	\$	\$
(ii) Convertible note		
Opening balance	157,552	119,640
Proceeds from loans	-	75,000
Convertible notes converted	(86,400)	(43,200)
Equity component	2,730	(1,084)
Accrued interest	4,866	7,196
Liability as at 31 December	<u>78,748</u>	<u>157,552</u>
(iii) Secured loans *		
Opening balance	295,284	251,325
Proceeds from loans	-	25,000
Repayments	-	-
Loans converted to shares	-	-
Accrued interest	10,420	18,959
Liability as at 31 December	<u>305,704</u>	<u>295,284</u>
(iv) Unsecured loan		
Opening balance	200,000	-
Proceeds from loans	-	200,000
Repayments	-	-
Loans converted to shares	-	-
Accrued interest	-	-
Liability as at 31 December	<u>200,000</u>	<u>200,000</u>
(v) Converting notes		
Opening balance	-	-
Proceeds from loans	872,000	-
Repayments	-	-
Equity component	(28,471)	-
Accrued interest	29,458	-
Liability as at 31 December	<u>872,987</u>	<u>-</u>
Total	<u>2,554,021</u>	<u>1,792,236</u>

* Secured loans are provided by key management personnel/other related parties and are secured via a fixed and floating charge over the assets of the Group and not restricted to any specific asset.

**CHARTER PACIFIC CORPORATION LIMITED
& ITS CONTROLLED ENTITIES**

31 DECEMBER 2016 INTERIM FINANCIAL REPORT

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. Related parties

Transactions with key management personnel

All related party transactions in the half year ended 31 December 2016 were on the same basis as those disclosed in the 30 June 2016 financial statements.

11. Contingent liabilities

No contingent liabilities exist as at 31 December 2016.

12. Subsequent events

Charter Pacific receiving funds totalling \$920,000 from sophisticated investors for working capital requirements during the 6 months ended 31 December 2016 that have been recognised as a deposit within loans, borrowings and financial liabilities as at 31 December 2016 and on 5 January 2017 the Company recognised these deposits as converting notes.

There were no other matters or circumstances have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial periods other than those mentioned in the interim financial report.

**CHARTER PACIFIC CORPORATION LIMITED
& ITS CONTROLLED ENTITIES**

31 DECEMBER 2016 INTERIM FINANCIAL REPORT

CHARTER PACIFIC CORPORATION LIMITED

DIRECTORS' DECLARATION

In the opinion of the Directors of Charter Pacific Corporation Limited ("the Company"):

1. the financial statements and notes set out on pages 5 to 15, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Kevin J Dart
Director

Dated at Gold Coast this 28th day of February 2017.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Charter Pacific Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Charter Pacific Corporation Limited, which comprises the consolidated interim statement of financial position as at 31 December 2016, the consolidated interim statement of profit or loss and other comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Charter Pacific Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Charter Pacific Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Charter Pacific Corporation Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 4 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO East Coast Partnership

BDO


Wai Aw
Partner

Melbourne, 28 February 2017