



**CHARTER
PACIFIC**
Corporation Limited

30 November 2016

Dear Shareholders,

During the 2016 financial year Charter Pacific examined and evaluated many opportunities in various market segments to identify and secure an investment that has the potential to provide sustained growth and profitability for the Company. I strongly believe that the acquisition of Microlatch will provide future value and profit to shareholders.

In June 2016 the Company entered into an agreement to acquire the Microlatch Pty Ltd group of companies that holds a portfolio of patents that relate to biometrics providing secure access to smartphones, tablets, laptops and payment cards. This family of patents will impact on a number of companies globally that are currently using biometrics today in mobile devices and payment platforms. It is a great opportunity for Charter Pacific and investors to benefit from the rapidly expanding growth in mobile devices and payment platforms globally.

For example, on 11 November 2016, Singles' Day, which is China's biggest online shopping day, Alibaba closed the day with US\$17.79 billion in total online sales (84% by smartphone), on 25 November 2016 Black Friday in the US recorded online sales of US\$3.05 billion (40% by smartphone) and the UK recorded online sales of US\$8.7 billion. In the US on Thanksgiving holiday 2016 online sales totalled US\$2 billion.

Part of the Company's due diligence includes the assessment by independent experts of the patent portfolio and their impact on the use of biometrics in the growing mobile device market.

In July 2016 the Company raised \$852,000 from sophisticated investors by way of an issue of converting notes to assist the Company to undertake this due diligence and provide working capital.

Subsequently Charter Pacific entered into a binding share purchase agreement on 7 October 2016 with the Vendors of Microlatch. A Notice of Extraordinary General Meeting, which will include an information memorandum about Microlatch and the proposed transaction together with an independent expert's report, will be released to the market on completion.

The Year in Review

The Board was disappointed to exit its investment in Legleitat Iron Mauritanie SA (LIM) iron ore project in Mauritania. Following long and protracted negotiations we achieved a satisfactory and amicable exit from the project by transferring all of our interest in LIM to our Mauritanian partner Groupe Wafa SA in May 2016 in full and final satisfaction of the repayment of the US\$3 million loan from Groupe Wafa SA who also takes up all liabilities and obligations of the Company to the Mauritanian Government in respect to the project. The Company has no ongoing interest in the LIM project.

This year the Company has reported a consolidated loss of \$5.28m for the 2016 financial year compared to a loss of \$4.7m in 2015. The loss is largely due to discontinued operations in the amount of \$3.1m relating to the Legleitat Iron Mauritanie project being disposed.

On 11 September 2015 the Company entered into an agreement with Integrity Systems Inc. (Integrity) to acquire 100% of Integrity. The proposed acquisition was subject to certain conditions precedent, set out in the Share Purchase Agreement (SPA) and as at the Cut-Off Date, 31 May 2016, the Company terminated the SPA due to certain conditions precedent remaining unfulfilled by Integrity Systems Inc.

The Company's Directors and staff have continued to defer payment of a significant proportion of their remuneration and entitlements during the 2016 year to keep the Company's cash burn to an absolute minimum.

The Microlatch opportunity is the right place, right time and will give us the platform that will provide an exciting future for the Company.

I would also like to thank our shareholders for their continuing support of the Company.

Yours sincerely,

Kevin Dart

Executive Chairman