



CHARTER PACIFIC

Corporation Limited
ABN 12 003 344 287
& ITS CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT 30 JUNE 2014

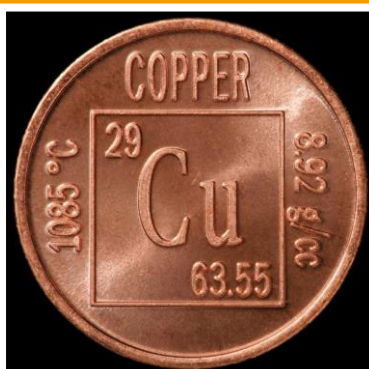
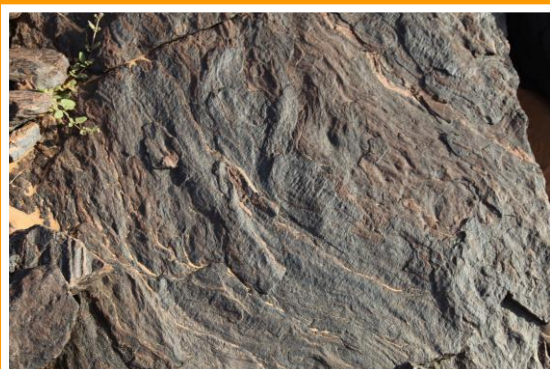


Legleitat Permit 2138





Permit	Size	Mineral Type
2138	995km ²	Group 1 – iron ore
791	498km ²	Group 1 – iron ore
792	960km ²	Group 1 – iron ore
1963	390km ²	Group 2 – gold/copper
1869	403km ²	Group 2 – gold/copper





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CORPORATE DIRECTORY

Directors	Kevin Dart Peter Bradfield David Selfe
Corporate Advisory Committee	Ashley Zimpel Darshak Mehta Abdel Kader Ould Saleh Ould Bohey
Company Secretary	Steven Cole
Registered Office	Level 18 50 Cavill Avenue Surfers Paradise QLD 4217 Ph: 07 5538 2558
Principal Place of Business	Level 18 50 Cavill Avenue Surfers Paradise QLD 4217 Ph: 07 5538 2558
Share Register	Link Market Services Ltd Level 15 324 Queen Street Brisbane QLD 4000 Telephone: (02) 8280 7454 Facsimile: (02) 9287 0303
Auditor	BDO East Coast Partnership Level 14 140 William Street Melbourne VIC 3000
Solicitors	Barraket Stanton Level 11 90 Arthur Street North Sydney NSW 2060
Bankers	National Australia Bank Level 20 100 Creek Street Brisbane QLD 4000
Stock Exchange Listing	Charter Pacific Corporation Limited shares are listed on the Australian Securities Exchange (ASX code:CHF)
Website	www.charpac.com.au



CHAIRMAN'S REVIEW

Dear Shareholder,

The past year has seen our strategic focus on Mauritanian resources move in a positive direction, with our new subsidiary Legleitat Iron Mauritanie SA being granted the permit for an advanced Hematite deposit containing direct shipping iron ore (DSO).

The DSO site, which has an inferred Resource of 12.2 million tonnes which at today's prices would yield substantial revenues, is already well established, with pre-stripping and preparation for the mining operations to commence.

The significant scale of capital works undertaken by the previous permit holder means that we are in a strong position to commence work and plan to deliver a first shipment from Legleitat within the next year. Based upon due diligence material received from the Mauritanian Mines Department, Charter Pacific's in-house preliminary estimates indicate a capex of up to US\$22M may be required to commence mining operations. Funding for this project is currently being sought.

Whilst the iron ore market has experienced a significant price slump, this project is a significant one for your Company and one that has enormous upside, particularly as the cost of production and shipping will be significantly lower than other iron ore producing markets.

Based on estimates, we expect that we will be able to mine the high quality ore for around \$US50 per tonne and ship for around \$US10 per tonne. Given the market forecasts of iron ore returning to \$US95 per tonne, the opportunity for this project - which we hold 60% ownership in, with 20% held by WAFA Mining & Petroleum and the other 20% held by the Mauritanian Government - is clearly strong.

In addition, its proximity to one of our other ore investment WA Iron Mauritanie, which holds permit 792, means that we will be able to realise cost synergies and fast track work on this 960 square kilometre site which has an exploration target of 4.4 billion tonnes of magnetite.

Both sites are well served by sealed road and are 250km to the Nouakchott Port.

In addition, we believe they will benefit from the strong working relationship that we have established with the Government. The Government has signalled support of resource companies and investors to drive the success of the sector.

It is the view of the Board that, given the above, the two iron ore assets present a very attractive opportunity and should deliver profitability and strong returns for our Shareholders.

This level of confidence by the Board is shared by many others as indicated by our recent raising of US\$3 million in loan funds for Legleitat at a time when the iron ore industry is experiencing a price downturn. We have also received strong interest from three international companies to enter into partnership agreements.

While our focus will be driving these two assets hard for our shareholders, we will also be working to progress work on our other iron ore investment, WA Resources Mauritanie SA, and our the gold/copper investment, West Africa Gold Pty Ltd. In total our subsidiaries have a 3,246 square kilometre footprint in the Mauritanian resources sector.

We look forward to providing more positive news about our resource investments in the near term.

In the interim, we will also continue to focus on reducing operating costs and as reported previously the Directors and Officers will continue to defer a significant portion of their remuneration to improve our Company financial position.



CHAIRMAN'S REVIEW (CONTINUED)

This year we delivered a 40% improvement in our financial results, with the 2014 financial year showing a consolidated loss of \$2.7m compared to a loss of \$4.4m in 2013. The decrease in the loss is largely due to a reduction in operating costs of \$1.3m from the previous year. All Directors and Officers costs have been fully expensed in the Company's accounts.

In closing I would also like to thank our former Chairman Brian Sprod who retired at last year's Annual General Meeting. He was a founding Director and inaugural chair of Charter Pacific and during his 25 years of service has been instrumental in many of the directions we have taken as a diversified investment company.

Yours sincerely,

Kevin J Dart
Executive Chairman

30 September 2014

Competent Persons Statement

Mineral Resource estimation is reported in accordance with The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC 2004 Code') and makes references to "Measured", "Indicated" and "Inferred" resources conforming to those terms as defined in the JORC 2004 Code. The JORC 2004 Code sets out minimum standards, recommendations and guidelines for the Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves.

The Mineral Resource has not been updated to comply with the JORC 2012 Code on the basis that the Mineral Resource has not materially changed since last reported.

Mr Daniel Guibal, a fulltime employee of SRK Consulting (Australasia) Pty Ltd and a Fellow of the Australasian Institute of Mining and Metallurgy has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

The information in this report that relates to Exploration Results is based on information compiled by David Selfe, who is a Member of The Australasian Institute of Mining and Metallurgy (AusIMM). David Selfe is a Director of Charter Pacific Corporation Limited. Mr Selfe has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Selfe consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "consolidated entity") consisting of Charter Pacific Corporation Limited (referred to hereafter as the Company or Parent Entity) and the entities it controlled at the end of, or during, the year ended 30 June 2014.

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Permit 792 - low mound, predominantly of BIF scree and subcropping BIF. The dark BIF scree extent is interpreted to represent the width of mineralisation.



DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

1. Directors

The following persons were Directors of Charter Pacific Corporation Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr Kevin John Dart AICD Executive Chairman (Managing Director/Chief Executive Officer) A Founding Director	Mr Dart has been on the Board of public companies for over 20 years. He has extensive experience in capital raisings, new listings, mergers and acquisitions, as well as cross border transactions in United States, United Kingdom, Asia, India and Mauritania. He has been a director of Conquest Agri Limited since 2009. He was previously a director of Monteray Mining Group Ltd – resigned 15 May 2013. Director since 1988 – appointed Managing Director 1988.
Mr Peter John Bradfield LLB, FAICD Independent Non-Executive Director	Mr Bradfield is a director of companies both public and private and is Managing Director of Bradfield Corporate Services, providing strategic marketing and business development advice to a range of Australian and international companies. He is a former CEO of Energy Resources of Australia Limited, former Chairman and Managing Director of Elders Mining group of companies, a past director of the Australian Mining Industry Council and Chairman of its Environment Committee. He was appointed Chairman of National Entitlement Security Trust on 19 May 2009. He was a Foundation Director of the Australian Minerals Energy and Environment Foundation. Appointed 13 August 2007. Chairman of Audit Committee.
Mr David Henry Selfe BSc, MAusIMM Independent Non-Executive Director	Mr Selfe is the founding director of Saewulf Geologica providing geological consultancy services to the mining and exploration industry. He has over 20 years' experience as a Geologist with experience in Australia, Indonesia and Africa and in commodities such as nickel, gold, base metals, manganese and iron ore. He is a current director of unlisted public company Morpheous Resources Ltd, a gold focussed explorer in West Africa. He is a past director and advisor to Nusantara Minerals Pty Ltd which acquired and merged its interests in Indonesian gold and silver projects into TSX listed Reliance Resources Ltd. Prior to Saewulf Geologica, Mr Selfe spent 14 years with Minara Resources Ltd/Glencore International plc a world ranked top 10 refined nickel producer, where he gained extensive experience in laterite nickel via the Murrin Murrin Project and manganese, iron ore, copper and nickel sulphide via regional exploration projects. Appointed 7 June 2012. Member of Audit Committee.
Mr Brian Victor Sprod FCPA FCIS Independent Non-Executive Director A Founding Director	Mr Sprod has extensive corporate finance expertise, with over thirty years experience as a director of listed and unlisted companies. Appointed 3 August 1988. Resigned 25 November 2013.

2. Company Secretary

Mr Steven Allan Cole (AICD) was appointed to the position of Company Secretary in September 2005. Mr Cole has over twenty years experience as company secretary and financial officer of listed and unlisted companies. During this time, he has been involved in mergers and acquisitions, company restructures, management buy outs and cross border transactions in a wide variety of industry sectors. Mr Cole has extensive experience establishing new public companies, undertaking initial public offerings, public capital raisings and listings on the Australian Securities Exchange, and has been associated with the NASDAQ listing of Australian companies.



DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

3. Directors' Meetings

The number of meetings of the Company's Board of Directors (the Board) and of each Board Committee held during the year ended 30 June 2014, and the number of meetings attended by each Director were:

Director	Board Meetings		Audit Committee Meetings	
	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held
Mr K J Dart	12	12		
Mr P J Bradfield	12	12	3	3
Mr D H Selfe (appointed 25 Nov 13)	12	12	1	1
Mr B V Sprod (resigned 25 Nov 13)	9	9	1	2

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

4. Principal Activities

The principal activities of the consolidated entity during the course of the financial year were operations in diversified investments. During the year, the Group:

- continued development of its projects in Mauritania;
- obtained a new iron ore permit in Mauritania;
- divested its holding in Monteray Mining Group Ltd; and
- maintained its investment in Conquest Agri Limited.

Further details of the activities of the Group are included in the Chairman's Review and the following section 'Operating and Financial Review'.

There were no other significant changes in the nature of the activities of the Group during the year.

Objectives

The Group's objectives are to:

- increase the value of investments and returns to shareholders; and
- minimise the flow on effect and impact of the downturn in the financial markets during the current financial year on investments.

In order to meet these objectives the following targets have been set for the 2014 financial year:

- restructure investments, add value, execute exit strategies to benefit shareholders; and
- use the Group's network and resources to manage exit strategies for investments and maximise returns.

5. Operating and Financial Review

Overview of the Group

Shareholder returns	2014	2013	2012	2011	2010
Net loss	(\$2,692,636)	(\$4,489,296)	(\$2,724,842)	(\$2,882,986)	(\$3,682,674)
Dividends paid	-	-	-	-	-
Basic EPS	(\$0.019)	(\$0.04)	(\$0.03)	(\$0.03)	(\$0.04)
Change in share price	(\$0.004)	(\$0.04)	\$0.033	\$0.015	(\$0.01)

Review of Principal Businesses

The consolidated net loss attributable to the members of Charter Pacific Corporation Limited was \$2,691,003 (2013:\$4,489,296). The decrease in the loss is largely due to a reduction from operating activities including doubtful debts of \$1.3m from the previous year.



DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

5. Operating and Financial Review (continued)

Review of Operations

Corporate Services comprises the operations of Charter Pacific Capital for 2014.

Charter Pacific Capital – Nil% (2013:100% owned), this subsidiary was deregistered during the year.

This segment derived a loss of \$709 compared to a loss \$26,450 in 2013. The loss in 2014 can be attributed to the deregistration of the company during the year.

Investments comprises the Group's equity accounted investees and listed equity securities available-for-sale which includes –

Conquest Agri Limited – 15% (2013:15%) owned – Conquest Agri is actively seeking a new business enterprise to take the company forward.

Monteray Mining Group Ltd – Nil% (2013:15%) owned – in November 2013 the Company divested its holding in Monteray Mining Group Ltd.

This segment recorded a profit of \$Nil from an equity accounted associate compared to a profit of \$90,422 for 2013.

Share trading – the Group did not trade in the Australian share market due to the prevailing market conditions.

This segment recorded a loss of \$96,503 compared to a loss of \$240,434 in 2013. The loss in 2014 is attributable to the reduction of the Monteray Mining Group share price from the date it ceased to be an equity accounted associate up until sale of the shares.

Exploration and evaluation comprised the expenditure on the iron ore Permits 791, 792 and 2138 and the gold Permits 1963 and 1869 in Mauritania during the year, as well as the formation costs of the DSO iron ore Permit 2138.

Significant Change in the State of Affairs

Other than the matters outlined in the Operating and Financial Review commencing on page 8, in the opinion of the Directors there were no other significant changes in the state of affairs of the consolidated entity during the financial year.

6. Dividends

There were no dividends paid or declared by the Company to members since the end of the previous financial year.

7. Matters Subsequent to the end of the Financial Year

Since reporting date the Company has made releases to ASX which are summarised below -

On 31 July 2014 5,500,000 shares were issued at \$0.04 per issue in lieu of payment of professional fees.

On 23 September 2014 the Company announced that it has finalised first round funding for the acquisition of the advanced Hematite deposit permit 2138 in Mauritania by its subsidiary Legleitat Iron Mauritanie SA's (Legleitat). The funding provides loan funds of US\$3M by its in-country partner and Legleitat shareholder, WAFA Mining & Petroleum.

Apart from the above announcement, no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.



DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

8. Likely Developments and expected Results of Operations

The consolidated entity will continue to pursue its policy of increasing shareholder value during the next financial year.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

9. Directors' Interests

The relevant interest of each Director in the shares and options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Charter Pacific Corporation Limited			
	Ordinary shares	Management Shares	Options over ordinary shares
Direct			
Mr K J Dart	1,994,454	–	–
Mr P J Bradfield	–	–	–
Mr D H Selfe	3,000,000	–	–
Indirect			
Mr K J Dart	34,306,500	2	–
Mr P J Bradfield	1,000,000	–	–
Mr D H Selfe	–	–	–

10. Share Options

Options Granted to Directors and Executives of the Company

During or since the end of the financial year, the Company granted nil options to Directors and Executives of the Company over unissued ordinary shares in the Company (2013:Nil).

No options have been granted since the end of the financial year to Directors and Executives of the Company.

Unissued Shares Under Options

At the date of this report, there are Nil unissued ordinary shares of the Company under option.

Shares Issued on Exercise of Options

During or since the end of the financial year, the Company has issued nil (2013:Nil) ordinary shares.

11. Remuneration Report – Audited

The Directors are pleased to present Charter Pacific Corporation Limited's 2014 remuneration report which sets our remuneration information for the Company's non-executive Directors, executive Director and other key management personnel.

The report contains the following sections:

1. Principles of Compensation
 - (i) Fixed Compensation
 - (ii) Performance Linked Compensation
 - (iii) Short-Term Incentive Bonus
 - (iv) Long-Term Incentive
 - (v) Short-Term and Long-Term Incentive Structure
 - (vi) Consequences of Performance on Shareholders Wealth
 - (vii) Other Benefits
 - (viii) Service Contracts
 - (ix) Non-Executive Directors
 - (x) Voting and comments made at the Company's 2013 Annual General Meeting
2. Directors' and Executive Officers' Remuneration
3. Analysis of Share Based Compensation included in Remuneration
4. Equity Instruments
5. Loans to Key Management Personnel



DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

11. Remuneration Report – Audited (continued)

11.1 Principles of Compensation – Audited

In accordance with best practice corporate governance, the structure of non-executive Directors and executive remunerations are separate.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including Directors of the Company and other executives. Key management personnel comprise the Directors of the Company and senior executives for the Group.

Compensation levels for key management personnel and secretaries of the Group are competitively set to attract and retain appropriately qualified and experienced Directors and executives. The Chairman and Managing Director obtain independent advice, as necessary, on the appropriateness of compensation packages of the Group given trends in comparative companies both locally and internationally, and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segment/s' performance;
- the Group's performance including:
 - the Group's earnings;
 - the growth in share price and delivering constant returns on shareholder wealth; and
 - the amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed and variable compensation and short and long-term performance-based incentives.

In addition to their salaries, the Group also provides non-cash benefits to its key management personnel, and contributes to a post-employment retirement plan for Directors. In accordance with the terms of the plan, after two years service, retiring non-executive Directors receive, on a sliding scale, benefits up to a maximum of five times the average annual remuneration in the three years preceding retirement.

Fixed Compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Chairman and Managing Director through a process that considers individual, segment and overall performance of the Group. In addition external consultants provide analysis and advice, as necessary, to ensure the Directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Performance Linked Compensation

Performance linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Employee Option Plan (see note 24 to financial statements). The Board does have discretion under clause 6.1, 6.2 and 6.3 of the Employee Option Plan on the payment of bonuses and options.

Short-Term Incentive Bonus

Each year the Chairman and Managing Director sets the key performance indicators (KPIs) for the key management personnel. The KPIs generally include measures relating to the Group, the relevant segment, and the individual, and include financial, people, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

The financial performance objectives are 'profit after tax' and 'return on capital employed' compared to budgeted amounts. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes.



DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

11. Remuneration Report – Audited (continued)

11.1 Principles of Compensation – Audited (continued)

Short-Term Incentive Bonus (continued)

At the end of the financial year, the Chairman and Managing Director assesses the actual performance of the Group, the relevant segment and individual against the KPIs set at the beginning of the financial year. The Chairman and Managing Director may obtain independent advice on bonus levels. The results and advice are reviewed by the Chairman and Managing Director and a final recommendation is then approved by the Board.

The Chairman reviews the performance of the Managing Director and, in doing so, obtains independent advice on bonus levels. The Chairman then makes a recommendation for approval by the Board.

Until such time as a new Chairman has been appointed the Board has taken on this role.

The Board approves the cash incentive to be paid to the individuals.

Long-Term Incentive

Options are issued under the Employee Option Plan (EOP) (made in accordance with thresholds set in plans approved by the shareholders at the 29 November 1994 AGM), and it provides for key management personnel to receive up to an annual aggregate of 200,000 options over ordinary shares for no consideration. The options do not vest until twelve months after they are granted.

The nature of the Company's business does not always allow for the returns and results of the performance by executives to be measured quantitatively on an annual basis. Therefore, the decision to issue options under the Employee Option Plan is primarily based upon the executive reaching certain strategic milestones with the Company's investments. Such milestones are measured against those established at the time of the initial investment. Examples may include: restructuring of a company, completion of an M&A and taking a company to a public listing. These types of examples may increase the long-term value of the Company's investment without necessarily producing immediate profits.

In addition, the Company may issue options or grant shares on commercial terms to secure employment of key management personnel.

Short-Term and Long-Term Incentive Structure

The Board considers that the Company's performance-linked compensation structure is generating the desired outcome.

Consequences of Performance on Shareholders Wealth

In considering the Group's performance and benefits for shareholders wealth, the Chairman and Managing Director have regard to the following KPIs in respect of the current financial year and the previous four financial years:

	2014	2013	2012	2011	2010
Net loss for the period	(\$2,692,636)	(\$4,489,296)	(\$2,724,842)	(\$2,882,986)	(\$3,682,674)
Change in share price	(\$0.004)	(\$0.04)	\$0.033	\$0.015	(\$0.01)
Return of capital	–	–	–	–	–

Profit is considered as one of the financial performance targets in setting the STI.

Other Benefits

Key management personnel can receive additional benefits as non-cash benefits, as part of the terms and conditions of their appointment. Non-cash benefits typically include payment of club memberships, motor vehicles, and the Company pays fringe benefits tax on some of these benefits.

Service Contracts

It is the Group's policy that service contracts for certain key management personnel, excluding the Managing Director and Company Secretary, are unlimited in term but capable of termination from one months' notice and that the Group retains the right to terminate the contract immediately, by making payment equal to the number of months pay in lieu of notice.



DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

11. Remuneration Report – Audited (continued)

11.1 Principles of Compensation – Audited (continued)

Service Contracts (continued)

The Group has entered into service contracts with certain key management personnel, excluding the Managing Director and Company Secretary, that provides for the payment of benefits where the contract is terminated by the Group or the individual. The key management persons are also entitled to receive, on termination of employment, their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

Mr Kevin Dart, Managing Director, has a contract of employment dated January 2013 for a five year period with the Company, expiring December 2017. The contract specifies the duties and obligations to be fulfilled by the Managing Director and provides that the Chairman and Managing Director will, early in each financial year, consult and agree objectives for achievement during that year. The contract is capable of termination by Mr Dart on six months notice. The Company retains the right to terminate the contract immediately in specified circumstances including any fundamental breach of the terms of the contract. Additionally the Company may terminate the contract by making a payment in lieu of notice equal to the greater of the unexpired term of the contract or six months.

Mr Steven Cole, Company Secretary, has a contract of employment dated January 2013 for a five year period with the Company, expiring December 2017. The contract is capable of termination by Mr Cole on six months notice. The Company retains the right to terminate the contract immediately in specified circumstances including any fundamental breach of the terms of the contract. Additionally the Company may terminate the contract by making a payment in lieu of notice equal to the greater of the unexpired term of the contract or six months.

Where a termination benefit is greater than one year's "base salary" shareholder approval is required.

The Managing Director and Company Secretary have no entitlement to termination payment in the event of removal for misconduct.

Non-Executive Directors

ASX listing rules require the aggregate non-executive Directors remuneration be determined periodically by a general meeting. The most recent determination was at the 2000 annual general meeting, where the shareholders approved an aggregate remuneration of \$250,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive Directors of comparable companies. Directors' base fees are presently up to \$50,000 per annum excluding superannuation.

The Chairman receives \$70,000 per annum excluding superannuation. Non-executive Directors do not receive performance related compensation. Directors' fees cover all main Board activities.

Under the Board's Retirement Scheme, which was approved by shareholders at the 2000 annual general meeting, after two years' service, retiring non-executive Directors receive, on a sliding scale, benefits up to a maximum of five times the average annual compensation in the three years preceding retirement.

Voting and comments made at the Company's 2013 Annual General Meeting

Charter Pacific received more than 99% of "yes" votes from eligible proxies received on its Remuneration Report for the 2013 financial year.



DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

11. Remuneration Report – Audited (continued)

11.2 Directors' and Executive Officers' Remuneration – Audited

Details of the nature and amount of each major element of remuneration of each Director of the Company, and other key management personnel of the consolidated entity are:

		Directors			Executives		Total
		Non-executive		Executive			
		Mr P J Bradfield	Mr D H Selfe	Mr B V Sprod (retired 25/11/13)	Mr K J Dart (Exec Chairman)	Mr S A Cole	
Short-term benefits							
Salary & fees	2014	50,000	50,000	29,167	546,467	214,894	890,528
	2013	50,000	50,000	76,300	532,095	294,531	1,002,926
STI Cash bonus	2014	-	-	-	-	-	-
	2013	-	-	-	-	-	-
Non-monetary benefits	2014	-	-	-	214,167	135,245	349,412
	2013	-	-	-	227,253	54,112	281,365
Post-employment							
Superannuation benefits	2014	4,625	4,625	2,698	*	*	116,948
	2013	4,500	4,500	-	50,000	25,000	84,000
Long-term benefits	2014	17,300	-	-	-	-	17,300
	2013	17,300	-	-	-	-	17,300
Termination benefits	2014	-	-	350,000	-	-	350,000
	2013	-	-	-	-	-	-
Annual leave + long service leave	2014	-	-	-	115,510	39,173	154,683
	2013	-	-	-	67,825	27,750	95,575
Share-based payments							
Equity settled	2014	-	-	-	-	-	-
	2013	-	240,000	-	-	-	240,000
Total	2014	71,925	54,625	381,865	946,144	424,312	1,878,871
	2013	71,800	294,500	76,300	877,173	401,393	1,721,166
Actual received	2014	4,552	4,552	6,373	330,465	149,573	495,515
Deferred amount	2014	67,373	50,073	375,492	615,679	274,739	1,383,356

As previously advised at the Company's AGM the Board has taken a disciplined approach to operations through reducing our cash burn by minimising our operating expenditure. It should be noted that whilst all Director and executive entitlements have been accounted for in the yearly result, the Directors and senior executives are continuing to significantly defer payment of their fees and salaries to ensure that the Company remains well positioned to unlock the value within its investments. These deferred payments are recorded under Trade and Other Payables in the Statement of Financial Position.

* The superannuation contributions for Mr Dart and Mr Cole were reinvested into Charter Pacific during the capital raising for the acquisition of shares.

Notes in Relation to the Table of Directors' and Executive Officers Remuneration – audited

(A) There were no incentive shares granted to a Director during the current financial year (2013:3,000,000).

(B) The remuneration amounts for 'other long-term' amount includes movements in the provision for Director retirement benefits.



DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

11. Remuneration Report – Audited (continued)

11.2 Directors' and Executive Officers' Remuneration – Audited (continued)

Details of Performance Related Remuneration – Audited

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed on page 11.

11.3 Analysis of Share Based Compensation included in Remuneration – Audited

There were no shares issued as part of compensation during the year ended 30 June 2014 (2013:3,000,000).

11.4 Equity Instruments – Audited

Refer to page 10 for Directors Interests.

There is one class of options issued as compensation. The options refer to options granted over unissued ordinary shares in the Company under the EOP.

11.4.1 Options and Rights over Equity Instruments Granted as Compensation – Audited

There were no options issued during the current financial year. No options have been granted since the end of the financial year.

All options expire on the earlier of their expiry date or termination of the individual's employment, at the discretion of the Directors. All options vest twelve months after they are granted.

Further details, including grant dates and exercise dates, regarding options granted to executives under the EOP plan and options granted over unissued ordinary shares are in note 24 to the financial statements.

11.4.2 Modification of Terms of Equity–Settled Share–Based Payment Transactions – Audited

No terms of equity–settled share–based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

11.4.3 Exercise of Options Granted as Compensation – Audited

During the reporting period, there were nil shares issued on the exercise of options previously granted as compensation.

11.4.4 Analysis of Movements in Options – Audited

There were no options granted, exercised or forfeited during the year.

11.5 Loans to Key Management Personnel

There were no loans to key management personnel in the 2014 financial year.

This concludes the Remuneration Report which has been audited.

12. Indemnification and Insurance of Officers

Indemnification

The Company has agreed to indemnify the following current Directors of the Company, Mr K J Dart, Mr P J Bradfield and Mr D H Selfe against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.



DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

12. Indemnification and Insurance of Officers (continued)

The Company has also agreed to indemnify the current Directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has agreed to indemnify certain senior executives for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including legal fees.

During the year, the Company had in place and paid premiums in respect to insurance policies indemnifying Directors and officers of Charter Pacific Corporation Limited against certain liabilities incurred in the conduct of business or in the discharge of their duties as Directors or officers. The contracts of insurance contain confidentiality provisions that preclude disclosure of the amount of the premium or the nature or extent of the insurer's liabilities under the policies.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

13. Non-Audit Services

During the year BDO, the Company's auditor, did not perform any non-audit services for the Company or the Group.

Details of the amounts paid to the auditor of the Company, BDO and its related practices for audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	2014	2013
	\$	\$
Audit services:		
Auditors of the Company		
Audit and review of financial reports	51,840	54,530
	<u>51,840</u>	<u>54,530</u>
Other auditors:		
Audit and review of financial reports	-	-
	<u>51,840</u>	<u>54,530</u>

14. Lead Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 24.

15. Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made with a resolution of the Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Kevin J Dart
Executive Chairman

Dated at Gold Coast this 30th day of September 2014.



**CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014**

The Board of Directors of Charter Pacific Corporation Limited (the Company) is responsible for the Corporate Governance of the consolidated entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's Principles and Recommendations with 2010 Amendments (2nd Edition) in accordance with ASX Listing Rule 4.10.3, unless otherwise stated.

1. Board of Directors

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall Corporate Governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal control, legal compliance and management information systems.

It is also responsible for approving and monitoring financial and other reporting. Details of the Board's charter is located on the Company's website (www.charpac.com.au).

The Board has delegated responsibility for operation and administration of the Group to the Managing Director and executive management. Responsibilities are delineated by formal authority delegations.

Board Processes

To assist in the execution of its responsibilities, the Board has established an Audit Committee. This Committee has a written mandate and operating procedures, which are reviewed on a regular basis. The Board has not established a Nomination Committee or a Remuneration Committee because of the limited size and nature of operations of the Company, the Board itself undertakes these responsibilities. The Board has also established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds ten scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman and Company Secretary. Standing items include the Executive Chairman's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in Board discussions and Directors have other opportunities for contact with a wider group of employees.

Director and Executive Education

The Group has a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy and the values of the Group, and the expectations of the Group concerning performance of Directors. In addition, Directors are also educated regarding meeting arrangements and Director interaction with each other, senior executives and other stakeholders. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

1. Board of Directors (continued)

Director and Executive Education (continued)

The Group also has a formal process to educate new senior executives upon taking such positions. The induction program includes reviewing the Group's structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with the respective rights, duties, responsibilities and roles of the individual and the Board.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the Group's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

Composition of the Board

The names of the Directors of the Company in office at the date of this report, specifying which are independent, are set out in the Directors' Report on page 7 of this report. The composition of the Board is determined using the following principles:

- the Board should comprise not more than ten Directors and not less than three Directors, with a broad range of expertise both nationally and internationally;
- a majority of independent non-executive Directors;
- a majority of Directors having extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies;
- a non-executive independent Director as Chairman. Following the resignation of the Chairman on 25 November 2013 Mr Kevin Dart was appointed Executive Chairman until such time as a suitable non-executive independent Director can be found and appointed as Chairman; and
- Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter Directors are subject to re-election at least every three years, except for the Managing Director.

The Board considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assesses existing and potential Directors' skills to ensure they have appropriate industry expertise in the Group's operating segments.

The Board considers the diversity of existing and potential Directors to ensure they are in line with the geographical and operational segments of the Group. The Board's policy is to seek a diverse range of Directors who have a range of ages, genders and ethnicity which mirrors the environment in which the Group operates.

An independent Director is a Director who is not a member of management (a non-executive Director) and who:

- holds less than five percent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five percent of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material* professional advisor or a material* consultant to the Company or another Group member;
- is not a material* supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer;
- has no material* contractual relationship with the Company or another Group member other than as a Director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the Director's ability to act in the best interests of the Company.

* *The Board considers 'material', in this context, to be where any Director-related business relationship has represented, or is likely in future to represent the lesser of at least ten percent of the relevant segment's or the Director-related business's revenue. The Board considered the nature of the relevant industries' competition, and the size and nature of each Director-related business relationship, in arriving at this threshold.*



CORPORATE GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

2. Audit Committee

The Audit Committee has a documented charter, approved by the Board. All members must be non-executive Directors, with a majority being independent. The Chairman may not be the Chairman of the Board. The Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The members of the Audit Committee during the year were:

- Mr Peter Bradfield (Chairman) – independent non-executive Director;
- Mr Brian Sprod – independent non-executive Director (resigned 25 November 2013); and
- Mr David Selfe – independent non-executive Director (appointed 25 November 2013).

The external auditors, the Executive Chairman and Company Secretary, are invited to Audit Committee meetings at the discretion of the Audit Committee. The Audit Committee met three times during the year and Audit Committee members' attendance record is disclosed in the table of Directors' meetings on page 8.

The Executive Chairman and Company Secretary declared in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the year ended 30 June 2014 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The external auditor met with the Audit Committee two times during the year with management being present.

The Audit Committee's charter is available on the Company's website along with information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

The responsibilities of the Audit Committee include:

- reviewing the annual, half year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs), and assessing whether the financial information is consistent with committee members' information and adequate for shareholder needs;
- assessing management processes supporting external reporting;
- assessing corporate risk assessment processes;
- establishing procedures for selecting, appointing, and if necessary, removing the external auditor;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit and review;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
- assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board;
- monitoring compliance with the Group's internal controls for fraud detection and monitoring prompt and appropriate rectification of any deficiencies or breakdowns identified;
- monitoring the procedures to ensure compliance with Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the consolidated financial statements and to review the fees proposed for the audit work to be performed;
- review the half year and preliminary final report prior to their lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
- review the draft annual and half year financial report, and recommend Board approval of the financial report; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

3. Risk Management

Oversight of the Risk Management System

The Board oversees the establishment, implementation, and annual review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing all risks, including material business risks, for the Group (including sustainability risk). The Managing Director and Company Secretary have declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating effectively.

Risk Profile

The Audit Committee analyses the status of material business risks to the Board on a half yearly basis. Further details of the Company's risk management policy and internal compliance and control system are available on the Company's website.

Each business operational unit is responsible and accountable for implementing and managing the standards required by the program.

Material business risks for the Company may arise from such matters as actions by competitors, government policy changes, environment, occupational health and safety, property, financial reporting, and the purchase, development and use of information systems.

Risk Management and Compliance and Control

The Board is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board's policy on internal controls is comprehensive, details of which are available on the Company's website. It comprises the Company's internal compliance and control systems, including:

- operating unit controls – operating units confirm compliance with financial controls and procedures including information systems controls detailed in procedures manuals; and
- investment appraisal – guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- financial exposures are controlled. Further details of the Company's policies relating to interest rate risk management, currency risk management and credit risk management are included in notes 5 and 26 to the financial statements;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

Quality and Integrity of Personnel

Compliance with policies in the Ethical Standards Manual is obtained from all operating units.

Financial Reporting

The Executive Chairman and the Company Secretary have provided assurance in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

Environmental Regulation

The Group is committed to achieving a high standard of environmental performance. The Board aims to ensure that the Group and associated investments' environmental policies are adhered to and are in compliance with all relevant environmental legislation. The Group's operations are not subject to any significant environmental regulations in respect of its activities under Commonwealth or State legislation, or Mauritanian legislation.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

3. Risk Management (continued)

Management Shares

There are two management shares on issue in the Company.

The voting rights applying to the management shares are contained in paragraph 4.5 of the Company's constitution. The holder of the management shares when present in person or by proxy or attorney at any general meeting of the Company is on a poll or any resolution entitled to as many votes as shall together with votes which the holder may exercise in respect of the shares held solely by him in his own capacity and not as trustee, attorney or otherwise as shall institute thirty per centum (30%) of the votes given personally or by proxy or attorney on such resolution.

The terms of the management shares have not changed during the current financial year.

Charter Pacific has a number of strategic medium and long-term investments and is constantly reviewing additions to that portfolio. As a consequence of its investment approach the Board considers the ongoing inclusion of the management shares as part of its capital structure to be appropriate and beneficial for shareholders for the following reasons:

- because of the long-term nature of the Company's investment activities the true value of its investments are not always reflected in its share price which could lead, in other structures, to takeover activity at less than fair value;
- provides the Company with a stable governance structure to move forward whilst it has a relatively small capital base; and
- allows capital to be raised without destabilising the management and Board structure.

4. Ethical Standards

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The Board reviews the Ethical Standards Policy regularly and processes are in place to promote and communicate these policies.

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The Board has developed procedures to assist Directors to disclose potential conflicts of interest.

Where the Board considers that a significant conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of Director related entity transactions with the Company and Group are set out in note 30 to the consolidated financial statements.

Code of Conduct

The Group has advised each Director, manager and employee that they must comply with the Group's Ethical Standards Policy. The Policy may be viewed on the Company's website, and covers the following:

- aligning the behaviour of the Board and management with the code of conduct by maintaining appropriate core Company values and objectives;
- fulfilling responsibilities to shareholders by delivering shareholder value;
- usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure;
- fulfilling responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, and commitments to fair value;
- employment practices such as occupational health and safety, employment opportunity; community activities, sponsorships and donations;
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution;
- compliance with legislation including policies on legal compliance in countries where the legal systems and protocols are significantly lower than Australia's;
- managing actual or potential conflicts of interest;
- corporate opportunities such as preventing Directors and key executives from taking improper advantage of property, information or position for personal gain;
- reporting of unlawful or unethical behaviour including protection of those who report violations in good faith; and
- the processes for monitoring and ensuring the compliance with the code of conduct.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

4. Ethical Standards (continued)

Trading in General Company Securities by Directors and Employees

The key elements of the Trading in General Company Securities by Directors and Employees Policy set out in the Trading Policy are:

- identification of those restricted from trading – Directors and employees may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options:
 - except between three and thirty days after either the release of the Company's half year and annual results to the ASX, the annual general meeting or any major announcement;
 - whilst in possession of price sensitive information not yet released to the market;
- to raise the awareness of legal prohibitions including transactions with colleagues and external advisors;
- to raise awareness that the Group prohibits entering into transactions that limit economic risks related to unvested share-based payments and that the Group requires annual declarations of compliance with this particular policy;
- to raise awareness that the Group prohibits those restricted from trading in Company shares as described above from entering into transactions such as margin loans that could trigger a trade during a prohibited period;
- to require details to be provided of intended trading in the Company's shares;
- to require details to be provided of the subsequent confirmation of the trade; and
- the identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

The policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the Company's website and in the Group's announcements provided to the ASX.

5. Communication with Shareholders

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. More details of the policy are available on the Company's website.

In summary, the Continuous Disclosure Policy operates as follows:

- the Executive Chairman and Company Secretary are responsible for interpreting the Company's policy and, where necessary, informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered, and all senior executives must follow a 'Weekly Continuous Disclosure Discovery' process, which involves monitoring all areas of the Group's internal and external environment;
- the full annual report provided via the Company's website to all shareholders (unless a shareholder has specifically requested to receive a physical copy), including relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- the half yearly report contains summarised financial information and a review of the operations of the Group during the period. The half year reviewed financial report is lodged with the ASX, and sent to any shareholder who requests it;
- proposed major changes in the Group, which may impact on share ownership rights are submitted to a vote of shareholders;
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website; and
- the external auditor attends the annual general meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of this information, including that of the previous three years, is made available on the Company's website within one day of public release, and is emailed to all shareholders who lodge their email contact details with the Company. Information on lodging email addresses with the Company is available on the Company's website.

The Board encourages full participation of shareholders at the annual general meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.



**CORPORATE GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014**

5. Communication with Shareholders (continued)

The shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, the remuneration report and changes to the constitution. Copies of the constitution are available to any shareholder who requests it.

6. Diversity

The Board is committed to having an appropriate blend of diversity on the Board and in the Group's executive positions. The Board is in the process of compiling a policy regarding gender, age, ethnic and cultural diversity. However, given the size and scope of the Company's operations and the limited number of employees, a gender diversity policy has no meaningful or practical application for the Company at this time.

When the policy has been finalised, details of the policy will be made available on the Company's website.

The key elements of the diversity policy will incorporate:

- increased gender diversity on the Board and senior executive positions and throughout the Group; and
- annual assessment of Board gender diversity objectives and performance against objectives by the Board.

Outcrop of BIF on Permit 792



DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF CHARTER PACIFIC CORPORATION LIMITED

As lead auditor of Charter Pacific Corporation Limited for the year ended 30 June 2014, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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



James Mooney
Partner

BDO East Coast Partnership

Melbourne, 30 September 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Charter Pacific Corporation Limited

Report on the Financial Report

We have audited the accompanying financial report of Charter Pacific Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

- (a) the financial report of Charter Pacific Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2(d) in the financial report, which indicates that the consolidated entity incurred a net loss of \$2,692,636 during the year ended 30 June 2014 and had negative cash flows from operating activities of \$1,141,237. As at 30 June 2014 Charter had an equity deficiency of \$1,720,505 and net current liability of \$4,048,316. The ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity. These conditions, along with other matters as set out in Note 2(d), indicate 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Charter Pacific Corporation Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership



James Mooney
Partner

Melbourne, 30 September 2014



CHARTER PACIFIC

Corporation Limited

CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2014



Legleitat Permit 2138



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 \$	2013 \$
ASSETS			
Cash and cash equivalents	18	350,596	561,839
Trade and other receivables	15	13,382	11,201
Prepayments		13,488	278,767
Financial assets at fair value through profit or loss	17	2	267,817
Total current assets		<u>377,468</u>	<u>1,119,624</u>
Exploration and evaluation expenditure	13	2,262,060	1,810,939
Plant and equipment	14	65,751	89,549
Total non-current assets		<u>2,327,811</u>	<u>1,900,488</u>
Total assets		<u>2,705,279</u>	<u>3,020,112</u>
LIABILITIES			
Trade and other payables	25	1,391,840	154,970
Loans and borrowings	22	1,691,636	1,144,515
Employee benefits	23	1,342,308	1,504,385
Total current liabilities		<u>4,425,784</u>	<u>2,803,870</u>
Total liabilities		<u>4,425,784</u>	<u>2,803,870</u>
NET (LIABILITIES)/ASSETS		<u>(1,720,505)</u>	<u>216,242</u>
EQUITY			
Issued capital	20	26,763,109	26,015,307
Reserves		1,850,052	1,850,350
Accumulated losses		(30,359,716)	(27,667,080)
Total (deficiency)/equity attributable to equity holders of the Company		<u>(1,746,555)</u>	<u>198,577</u>
Non-controlling interest		26,050	17,665
TOTAL (DEFICIENCY)/EQUITY		<u>(1,720,505)</u>	<u>216,242</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
		\$	\$
Revenue	7	(92,206)	23,180
Other income	8	154,000	23,105
Expenses			
Depreciation and amortisation expenses	14	(25,463)	(51,967)
Rent and occupancy costs		(138,216)	(305,906)
Professional fees		(361,311)	(413,491)
Travel expenses		(49,623)	(87,571)
Shareholder reports and registry costs		(48,603)	(53,540)
Personnel expenses	9	(1,800,789)	(1,755,705)
Provision for doubtful debts	15	-	(999,195)
Other operating expenses		(321,012)	(363,176)
Net operating loss before share-based payments and impairment losses		<u>(2,683,223)</u>	<u>(3,984,266)</u>
Share-based payments	24	-	(240,000)
Impairment losses	12	(9,413)	(169,545)
Results from operating activities		<u>(2,692,636)</u>	<u>(4,393,811)</u>
Loss before equity accounting and income tax		<u>(2,692,636)</u>	<u>(4,393,811)</u>
Share of net losses of equity accounted investees	16	-	(95,485)
Loss before income tax for the year		<u>(2,692,636)</u>	<u>(4,489,296)</u>
Income tax (expense)/benefit	11	-	-
Loss after income tax for the year		<u>(2,692,636)</u>	<u>(4,489,296)</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation		(298)	-
Other comprehensive income for the period, net of income tax		(298)	-
Total comprehensive loss for the year		<u>(2,692,934)</u>	<u>(4,489,296)</u>
Loss for the year is attributable to:			
Non-controlling interest		(1,633)	-
Owners of Charter Pacific Corporation Limited		(2,691,003)	(4,489,296)
		<u>(2,692,636)</u>	<u>(4,489,296)</u>
Loss per share for the year attributable to the members of Charter Pacific Corporation Limited			
Basic loss per share	21	(0.019)	(0.040)
Diluted loss per share	21	(0.019)	(0.040)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

	Issued capital \$	Option issue reserve \$	Fair value reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2012	24,285,307	1,854,846	(4,496)	-	(23,177,784)	-	2,957,873
Total comprehensive income for the year							
Loss for the year	-	-	-	-	(4,489,296)	-	(4,489,296)
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive (loss) for the year	-	-	-	-	(4,489,296)	-	(4,489,296)
Transactions with owners, recorded directly in							
<i>Contributions by and distributions to owners</i>							
Shares issued, net of transaction costs	1,730,000	-	-	-	-	-	1,730,000
Non-controlling interest	-	-	-	-	-	17,665	17,665
Total transactions with owners	1,730,000	-	-	-	-	-	1,730,000
Balance at 30 June 2013	<u>26,015,307</u>	<u>1,854,846</u>	<u>(4,496)</u>	<u>-</u>	<u>(27,667,080)</u>	<u>17,665</u>	<u>216,242</u>
Balance at 1 July 2013	26,015,307	1,854,846	(4,496)	-	(27,667,080)	17,665	216,242
Total comprehensive income for the year							
Loss for the year	-	-	-	-	(2,692,636)	-	(2,692,636)
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	-	(298)	-	-	(298)
Total other comprehensive income	-	-	-	(298)	-	-	(298)
Total comprehensive (loss) for the year	-	-	-	(298)	(2,692,636)	-	(2,692,934)
Transactions with owners, recorded directly in							
<i>Contributions by and distributions to owners</i>							
Shares issued, net of transactions costs	734,424	-	-	-	-	-	734,424
Value of conversion rights on convertible notes	13,378	-	-	-	-	-	13,378
Non-controlling interest	-	-	-	-	-	8,385	8,385
Total transactions with owners	747,802	-	-	-	-	-	747,802
Balance at 30 June 2014	<u>26,763,109</u>	<u>1,854,846</u>	<u>(4,496)</u>	<u>(298)</u>	<u>(30,359,716)</u>	<u>26,050</u>	<u>(1,720,505)</u>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		16,200	141,420
Cash payments in the course of operations		(1,145,329)	(2,526,228)
Cash used in operations		(1,129,129)	(2,384,808)
Interest paid		(16,311)	(15,154)
Interest received		4,203	21,583
Net cash used in operating activities	19	(1,141,237)	(2,378,379)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(1,044)	(8,149)
Proceeds from sale of property, plant and equipment		-	29
Repayment of loans from other entities		142,400	1,901,170
Exploration and evaluation expenditure		(468,738)	(1,134,851)
Proceeds from sale of investments		171,215	-
Net cash (used in)/from investing activities		(156,167)	758,199
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital raised		526,751	-
Proceeds from convertible notes		392,000	-
Proceeds from secured loans		230,000	1,075,000
Repayments on loan funds		(62,590)	-
Interest on convertible note funds		-	(16,961)
Lease payments		-	(58,905)
Net cash from financing activities		1,086,161	999,134
Net decrease in cash and cash equivalents		(211,243)	(621,046)
Cash and cash equivalents at 1 July		561,839	1,182,885
Cash and cash equivalents at 30 June	18	350,596	561,839

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. REPORTING ENTITY

Charter Pacific Corporation Limited ("the Company") is a Company domiciled in Australia. The address of the Company's registered office is Level 18, 50 Cavill Avenue, Surfers Paradise Qld 4217. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The Group is primarily involved in diversified investments and the provision of corporate services.

2. BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with the International Financial Reporting Standards as issued the International Accounting Standards Board ('IASB').

The consolidated financial statements were authorised for issue by the Board of Directors on 30 September 2014.

(a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value;

The methods used to measure fair values are discussed further in notes 4 and 26.

Charter Pacific is a for profit entity for the purposes of preparing the financial statements.

(b) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

(c) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- note 13 – carrying amount of exploration and evaluation expenditure;
- note 15 – measurement of the recoverable amounts of trade and other receivables.

(d) Going concern

The consolidated entity has incurred a loss after tax for the year ended 30 June 2014 of \$2,692,636, had net cash outflows from operating activities of \$1,141,237, net current liability of \$4,048,316 and total deficiency of \$1,720,505. The ability of the consolidated entity to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. 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 Company to raise sufficient funds to meet budgeted cash outflows for operations. Directors are also implementing plans to attract joint venture partners for its Mauritanian investments to raise sufficient funds to meet budgeted cash outflows for operations.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

2. BASIS OF PREPARATION (CONTINUED)

(d) Going concern (continued)

- The Company has received letters of support from current and retired Directors confirming that the outstanding Directors entitlements and retirement benefits will not be demanded from the Company within the next 12 months unless the Company raises sufficient capital to meet its operational requirements.
- The Company has received letters of financial support from the Director, Company Secretary and staff (loan holders) confirming that demand of loan funds and unpaid interest as at 30 June 2014 will not be made on the Company within the next 12 months unless the Company raises sufficient capital to meet its operational requirements.
- As at 30 June 2014, the consolidated entity had cash and cash equivalents of \$350,596.
- The consolidated entity's indicative cash flow forecast for the next twelve months includes significant cash out flows in relation to exploration and evaluation expenditure, which if need be, can be deferred or eliminated by the sale, joint venture or relinquishment of mining tenements. 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 Company 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.
- Included in trade and other receivables is an amount of \$908,021 owed by Conquest Agri Limited. The Company has a doubtful debt for this amount in view of the current position of Conquest Agri Limited. The Directors have been in discussion with the related party and are being kept abreast of a number of potential opportunities which may result in the recapitalisation of the related entity, and ensure sufficient funds are available to repay the remaining outstanding balance to the consolidated entity.
- During the year ended 30 June 2014, the consolidated entity received funds from convertible notes and secured loans from related parties totalling \$622,000 to manage the cash flows requirements. This is indicative of an underlying level of support for the operations carried out by the consolidated entity.
- On 23 September 2014, the Company announced to the ASX, finalisation of first round funding of US\$3 million for the acquisition of advanced Hematite deposit (permit 2138) in Mauritania by its subsidiary. Acquisition of this permit has significant potential to attract investors interest in the Company.

Based on the above, the Directors are satisfied that, adequate plans are in place and that the Company will have sufficient cash flows for 12 months from date of this report. On this basis the financial report has been prepared on the going concern basis.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the consolidated entity not continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standard and Interpretation is most relevant to the consolidated entity:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB10 Consolidated Financial Statements

The consolidated entity has applied AASB10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through is 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

(ii) Subsidiaries

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) Investments in Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between twenty and fifty percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The cost of the investment includes goodwill identified on acquisition, net of any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

(b) Foreign currency

(i) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in other comprehensive income and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the Statement of Profit or Loss and Other Comprehensive Income.

(c) Financial instruments

(i) Non-derivative financial instruments

The Group initially recognised loans and receivables and deposits on the date they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are investments in equity securities that are designated as available-for-sale. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h)(j)) are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the Statement of Profit or Loss and Other Comprehensive Income.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables. These financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(ili) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Exploration and evaluation expenditures

Exploration and evaluation costs, excluding the costs of acquiring licences, are capitalised as incurred. Acquisition costs will be assessed on a case by case basis and, if appropriate, they will be capitalised. These acquisition costs are carried forward only if the rights to tenure of the area of interest are current and either :

- they are expected to be recouped through successful development and exploitation of the area of interest or;
- the activities in the area of interest at the reporting date have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated acquisition costs in relation to an abandoned area are written off in full in the year in which the decision to abandon the area is made.

The carrying values of acquisition costs are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in the Statement of Profit or Loss and Other Comprehensive Income.

(ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives in the current and comparative year are as follows:

- plant and equipment 3–5 years
- leased motor vehicles 5–8 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(f) Intangible assets

(i) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill, is recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's Statement of Financial Position.

(h) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment (continued)

(i) *Financial assets (including receivables) (continued)*

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale investment security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in other comprehensive income.

(ii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee benefits

(i) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs, discounted to its present value.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(iv) Non-Executive Directors' Retirement Scheme

The Company provides retiring non-executive Directors with benefits approved by shareholders at the annual general meeting of the Company on 27 November 2000. The retirement benefit is proportional to the length of service of the non-executive Director.

The Company's liability for Directors' retirement benefits, which is based on the number of years service provided at reporting date, has been included in employee entitlements.

(v) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, except for those that fail to vest due to market conditions not being met. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of employee options is measured using a Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

(j) Trade and Other Payables

Payables represent the principal amounts outstanding at balance date, plus where applicable, any accrued interest. Payables are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received.

(k) Loans and Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs associated with the borrowing. Interest expense is recognised on an accrual basis.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue Recognition

(i) Services

Revenue from services rendered is recognised in the Statement of Profit or Loss and Other Comprehensive Income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to stages of work

(ii) Dividends

Dividend income is recognised in the Statement of Profit or Loss and Other Comprehensive Income on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(n) Lease payments

Payments made under operating leases are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(o) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the Statement of Profit or Loss and Other Comprehensive Income, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(p) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future, and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time as the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Charter Pacific Corporation Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'group allocation' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(q) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included in other receivables or other payables in the Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Goods and services tax (continued)

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the owners of Charter Pacific Corporation Limited, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted EPS adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports reviewed by the Board and the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's head office), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(t) New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Reference	Title	Summary	Application Date
AASB 9	Financial Instruments and its consequential amendments	Addresses classification, measurement and de-recognition of financial assets and liabilities.	1 Jul 2017
AASB 2012- 3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	Provides application guidance to AASB 132 to address inconsistencies in applying offsetting criteria.	1 Jul 2014
AASB 2013- 3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	Disclosure requirements of AASB 136 require additional information about the fair value measurement.	1 Jul 2014
AASB 2013- 4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	Amends AASB 139 to permit continuation of hedge accounting.	1 Jul 2014
AASB 2013- 5	Amendments to Australian Accounting Standards – Investment Entities	Addresses the definition of an 'investment entity' for consolidation purposes.	1 Jul 2014

These standards are not expected to have material impact on the financial report at the time of initial adoption.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

- (a) **Investments in equity securities**
The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.
- (b) **Share-based payment transactions**
The fair value of employee options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.
- (c) **Trade and other receivables**
The fair value of trade and other receivables, which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.
- (d) **Non-derivative financial liabilities**
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from equity accounted investees and other debtors.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty.

Amounts are advanced to equity accounted investees and other parties on the basis that they are to be repaid in a short period of time or where the funds will assist the investee with its working capital requirements and will enhance the Group's exit strategy.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group does not currently have a significant exposure to foreign currency risk.

Other market price risk

Equity price risk arises from trading and available-for-sale equity securities held. Management of the Group monitors the mix of equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are monitored by the Board.

The primary goal of the Group's investment strategy is to maximise investment returns. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

Interest rate risk

The Group adopts a policy of charging a fixed rate of interest on loans advanced to associates and other parties. Cash in excess of short-term demand is invested in fixed rate deposits with short-term maturities to maximise returns.

The Group does not have any significant exposure to interest bearing liabilities.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

6. OPERATING SEGMENTS

The consolidated entity comprises the following main operating segments:

- corporate services – the Group provided corporate services to other companies;
- investments – investments in listed and unlisted companies planned to deliver significant returns in future years through capital appreciation and/or interest on loan funds advanced;
- share trading – the purchase and sale of listed investment securities to generate short-term profits;
- exploration and evaluation – the exploration of iron ore and gold permits;

There is little or no integration between the four segments, other than shared operating costs and corporate assets.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

6. OPERATING SEGMENTS (CONTINUED)

Information regarding the result of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of each segment in comparison to market conditions and past performance.

Geographical segments

The corporate services, investment and share trading segments operate in Australia. The exploration and evaluation segment operates in Mauritania and the IPTV segment operated in the United Kingdom.

The Group does not have any significant revenues outside of Australia.

	CORPORATE SERVICES		INVESTMENTS		SHARE TRADING		EXPLORATION & EVALUATION		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total external revenue	-	173,192	4,297	90,422	(96,503)	(240,434)	-	-	(92,206)	23,180
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation	(155)	(1,182)	-	-	-	-	-	-	(155)	(1,182)
Reportable segment profit before income tax	(709)	(26,450)	-	90,422	(96,503)	(240,434)	-	-	(97,212)	(176,462)
Share of loss of equity accounted investees	-	-	-	(95,485)	-	-	-	-	-	(95,485)
Reportable segment assets	-	6,175	-	786,781	2	267,817	2,262,060	1,810,939	2,262,062	2,871,712
Investment in associates	-	-	-	-	-	-	-	-	-	-
Capital expenditure	-	-	-	-	-	-	-	484,543	-	484,543
Reportable segment liabilities	-	1,000	-	-	-	-	-	-	-	1,000



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

6. OPERATING SEGMENTS (CONTINUED)

**Reconciliations of reportable segment revenues, profit or
loss, assets and liabilities**

	2014	2013
	\$	\$
Revenues		
Total revenue for reportable segments	(92,206)	23,180
Other revenue	154,000	23,105
Consolidated revenue	61,794	46,285
Profit or loss		
Total loss for reportable segments	(97,212)	(176,462)
Unallocated amounts: other corporate expenses	(2,595,424)	(4,312,834)
Consolidated loss before income tax	(2,692,636)	(4,489,296)
Assets		
Total assets for reportable segments	2,262,062	2,871,712
Other corporate assets	443,217	148,400
Consolidated total assets	2,705,279	3,020,112
Liabilities		
Total liabilities for reportable segments	-	1,000
Other corporate liabilities	4,425,784	2,802,870
Consolidated total liabilities	4,425,784	2,803,870

7. REVENUE

	2014	2013
	\$	\$
Realised gains on investments held for trading	(861)	-
Unrealised change in value of investments held for trading	(95,642)	(240,434)
Professional fees	-	172,300
Finance income	4,297	91,314
Total revenue	(92,206)	23,180

8. OTHER INCOME

	2014	2013
	\$	\$
Rental income from property sublease	-	3,055
Net gain on sale of property, plant and equipment	-	29
Recovery of impaired loan	154,000	-
Other	-	20,021
Other income	154,000	23,105

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

9. PERSONNEL EXPENSES

	2014	2013
	\$	\$
Wages and salaries	1,056,062	1,165,087
Other associated personnel expenses	389,033	339,431
Superannuation contributions	148,698	110,726
Annual leave expense	123,004	60,976
Long-service leave expense	66,692	62,185
Directors retirement benefits expense	17,300	17,300
	<u>1,800,789</u>	<u>1,755,705</u>

Details of share-based payments to key personnel are included in note 30.

10. FINANCE INCOME AND EXPENSE

	2014	2013
	\$	\$
Recognised in profit or loss		
Interest income	4,297	91,314
Finance income	<u>4,297</u>	<u>91,314</u>
Net finance costs recognised in the Statement of Profit or Loss and Other Comprehensive Income	<u>4,297</u>	<u>91,314</u>
All interest income relates to assets not at fair value through profit or loss.		
Recognised in other comprehensive income		
Foreign currency translation differences for foreign operations	(298)	-
Finance income recognised in other comprehensive income, net of tax	<u>(298)</u>	<u>-</u>



Permit 792 - BIF outcrop showing prominent fold buckling due to lateral stress and parallel folding, important structural features for BIF thickening.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)

11. INCOME TAX EXPENSE

	2014 \$	2013 \$
Numerical reconciliation between tax expense and pre-tax net loss		
Loss for the period	(2,692,636)	(4,489,296)
Total income tax expenses	-	-
Loss excluding income tax	(2,692,636)	(4,489,296)
Income tax/(benefit) using the Company's domestic tax rate of 30% (2013:30%)	(807,791)	(1,346,789)
Non-deductible expenses	28,384	19,042
Changes in unrecognised temporary differences – deferred tax assets not recognised	779,407	1,327,747
Income tax expense/(benefit)	-	-

12. IMPAIRMENT LOSSES

	Note	2014 \$	2013 \$
Associates			
Impairment of investments/(reversal of impairment)		9,401	(96,722)
		9,401	(96,722)
Other			
Other		12	40,000
Available-for-sale investments	17	-	226,267
		12	266,267
Total impairment losses		9,413	169,545

13. EXPLORATION AND EVALUATION EXPENDITURE

	2014 \$	2013 \$
<i>Costs carried forward in respect of area of interest in:</i>		
- Exploration and evaluation phases	2,262,060	1,810,939
	2,262,060	1,810,939
Opening balance	1,810,939	628,405
Acquisitions during the year	-	484,543
Expenditure during the year	451,121	697,991
Closing balance	2,262,060	1,810,939



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

13. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

Exploration expenditure during the year recorded in the above table relates to all 5 permits. Total amount of \$189,155 relates to the existing permits 791, 792, 1963 and 1869, and \$261,966 relates to the new Legleitat permit 2138.

On 30 May 2014 the Company announced that its 70% owned subsidiary, Legleitat Iron Mauritanie SA (LIM), had been granted a mining permit 2138 C1 for an advanced Hematite deposit containing direct shipping iron ore in Mauritania. The permit is 995km².

The permit is granted by decree under the provisions of the Mining Code for a period of thirty (30) years and can be renewed several times for a period of ten (10) years each time. Renewal is granted upon request provided the holder complies with the Mining Code.

Approximately US\$45M has been spent on this Hematite deposit to date by the previous operator on resource drilling, pre-stripping of minesite, port preparation and haulroad build.

In February 2011 a resource estimate was completed by SRK Consulting Pty Ltd (SRK) in accordance with the JORC 2004 Code reporting an Inferred Resource of 12.2 million tonnes (Mt) @ 59%Fe (CaFe grade 62.7%Fe)* (at a 54%Fe cut-off)**. Preliminary assessments indicate the potential to support a 1Mtpa shipped operation for +10 years.

Legleitat Iron Mauritanie, a Mauritanian company, is 70% owned by Charter Pacific, 10% owned by WAFA Mining & Petroleum (our Mauritanian incountry partner) and 20% free carried ownership by the Mauritanian Government.

The acquisition cost of US\$10M over 5 years is made up as follows:

Initial payment on issue of Presidential Decree US\$3M by Charter Pacific

1st year after operation US\$2M payable by WAFA Mining & Petroleum,

2nd year after operation US\$2M payable by Charter Pacific,

3rd year after operation US\$2M payable by WAFA Mining & Petroleum,

4th year after operation US\$1M payable by Charter Pacific.

The acquisition has not been brought to account as grant of the permit is dependent on the payment of the initial \$US3M by Charter Pacific.

* CaFe - "Calcined Iron" grade of the ore and is determined by the formula $\text{CaFe} = \text{Fe} \% / ((100 - \text{LOI}) / 100)$.

** Inferred Mineral Resource estimated by SRK Consulting Pty Ltd under JORC 2004 Code in February 2011. A resource estimate was completed by SRK Consultants Pty Ltd that reported a JORC 2004 Code Inferred Mineral Resource of 12.2Mt at Fe grade of 59.0% using a Fe cut-off grade of 54%Fe, see Appendix 1. No new information is currently available to update the resource using JORC 2012 Code.

*** The production targets expressed are aspirational in nature and are derived from studies conducted on the Inferred Mineral Resource, therefore it is uncertain at this stage that sufficient quantity of material will be defined as the resource is upgraded in confidence to Indicated and Measured to support these targets. It is Charter Pacific's intention to conduct further drilling and analysis to upgrade the resource confidence and conduct scoping and feasibility studies.

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment	Motor vehicles	Total
Cost	\$	\$	\$
Balance at 1 July 2012	369,564	144,147	513,711
Other additions	8,149	15,665	23,814
Disposals	(2,803)	(55,625)	(58,428)
Balance at 30 June 2013	<u>374,910</u>	<u>104,187</u>	<u>479,097</u>
Balance at 1 July 2013	374,910	104,187	479,097
Other additions	7,765	-	7,765
Disposals	(37,813)	-	(37,813)
Balance at 30 June 2014	<u>344,862</u>	<u>104,187</u>	<u>449,049</u>
Depreciation			
Balance at 1 July 2012	320,645	63,562	384,207
Depreciation for the year	21,874	30,093	51,967
Impairment	-	-	-
Disposals	(2,308)	(44,318)	(46,626)
Balance at 30 June 2013	<u>340,211</u>	<u>49,337</u>	<u>389,548</u>
Balance at 1 July 2013	340,211	49,337	389,548
Depreciation for the year	20,254	5,209	25,463
Impairment	-	-	-
Disposals	(31,713)	-	(31,713)
Balance at 30 June 2014	<u>328,752</u>	<u>54,546</u>	<u>383,298</u>
Carrying amounts			
At 1 July 2012	<u>48,919</u>	<u>80,585</u>	<u>129,504</u>
At 30 June 2013	<u>34,699</u>	<u>54,850</u>	<u>89,549</u>
At 1 July 2013	34,699	54,850	89,549
At 30 June 2014	<u>16,110</u>	<u>49,641</u>	<u>65,751</u>

The Group did not lease any vehicles during the 2014 financial year. However in the prior year when there was a finance lease agreement and the Group had the option to purchase the equipment at a beneficial price. At 30 June 2013, the net carrying amount of leased motor vehicles was \$54,850. The leased motor vehicles secure lease obligations (see note 22).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

15. TRADE AND OTHER RECEIVABLES

	2014	2013
	\$	\$
Current		
Other debtors	11,841	11,201
Receivables due from related party	908,021	1,051,079
Write back of GST received	-	(51,884)
Provision for doubtful debt	(906,480)	(999,195)
	<u>13,382</u>	<u>11,201</u>
Non-current		
Other receivables	361,693	361,693
Impairment allowance	(361,693)	(361,693)
	<u>-</u>	<u>-</u>
Total trade and other receivables	<u>13,382</u>	<u>11,201</u>

The balance of \$908,021 (2013:\$ 1,051,079) relates to amounts owing from a related party. The amounts due as at 30 June 2014 of \$906,480 have been provided for.

The Group's exposure to credit and other risks related to trade and other receivables is disclosed in note 26.

Impairment loss

30 June 2014

There is a \$9,401 impairment during 2014 relating to an outstanding trade debtor.

30 June 2013

There was a \$40,000 impairment during 2013 relating to an outstanding trade debtor.

16. EQUITY ACCOUNTED INVESTEEES

The Group's share of losses in its equity accounted investees for the year was \$Nil (2013:\$95,485).

There was no equity accounted investees during the 2014 financial year.

During the financial year ended 30 June 2013 the Company's shares in Monteray Mining Group Ltd were reclassified as listed equity securities held for trading as the ownership percentage held by Charter Pacific reduced to 14.80% from 30.36%, and Kevin Dart resigned as a director and Steve Cole resigned as company secretary of Monteray Mining Group in May 2013.

These investments and the related impairment losses are part of the investments segment in note 6.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

17. INVESTMENTS

	2014	2013
	\$	\$
<i>Current investments</i>		
Listed equity securities held for trading	2	267,817
	<u>2</u>	<u>267,817</u>

Listed equity securities held for trading are financial assets designated at fair value through profit or loss.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26.

Sensitivity analysis – equity price risk

All of the Group's listed equity investments and investments in available-for-sale assets at fair value are listed on the Australian Securities Exchange. For such investments classified as available-for-sale, a two percent increase in the ASX 200 at the reporting date would have increased equity by \$Nil after tax (2013:an increase of \$Nil); an equal change in the opposite direction would have decreased profit or loss by \$Nil after tax (2013:a decrease of \$Nil). For investments classified as fair value through profit and loss, the impact on profit or loss would have been an increase or decrease of \$Nil after tax (2013:\$5,356). The analysis is performed on the same basis for 2014 and assumes that all other variables remain the same.

Impairment loss

The recoverable amount of the Group's investment in listed equity securities available-for-sale, calculated by reference to the market price as quoted on the ASX, was less than the carrying value as at 30 June 2014. Accordingly, an impairment loss of \$Nil was recognised in the Statement of Profit or Loss and Other Comprehensive Income as the reduction in fair value was considered significant (2013:\$226,267). These available-for-sale investments, and the related impairment loss, are part of the investments segment in note 6.

18. CASH AND CASH EQUIVALENTS

	2014	2013
	\$	\$
Cash at bank	200,773	486,305
Cash on short-term deposits	149,823	75,534
Cash and cash equivalents in the Statement of Cash Flows	<u>350,596</u>	<u>561,839</u>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)

19. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2014 \$	2013 \$
Loss for the period	(2,692,636)	(4,489,296)
<i>Adjustments for:</i>		
Share based payments	-	240,000
Provision for doubtful debts	-	999,195
Finance charges on capitalised leases	-	4,220
Depreciation and amortisation	25,463	51,967
Impairment losses	9,413	169,545
Share of equity accounted investees net loss	-	95,485
Changes in assets and liabilities:	(2,657,760)	(2,928,884)
(Increase)/decrease in trade and other receivables	19	647,458
(Increase)/decrease in prepayments	(25,571)	(189,518)
(Increase)/decrease in investments held for trading	267,815	82
Increase/(decrease) in provisions and employee benefits	1,436,337	(47,978)
Increase/(decrease) in trade and other payables	(162,077)	140,461
Net cash used in operating activities	(1,141,237)	(2,378,379)

20. CAPITAL AND RESERVES
Share capital

	COMPANY			
	Ordinary shares			
	2014		2013	
	No. of shares	\$	No. of shares	\$
On issue at 1 July	122,355,210	26,015,307	98,855,210	24,285,307
Shares issued 13 November 2012	-	-	15,500,000	1,240,000
Shares issued 30 November 2012	-	-	3,000,000	240,000
Shares issued 28 March 2013	-	-	5,000,000	250,000
Shares issued 16 July 2013 (i)	1,000,000	40,000	-	-
Shares issued 9 September 2013 (ii)	14,526,663	581,067	-	-
Shares issued 5 November 2013 (iii)	3,875,000	155,000	-	-
Value of conversion rights on convertible notes	-	13,378	-	-
Less transaction costs	-	(41,643)	-	-
On issue at 30 June – fully paid	<u>141,756,873</u>	<u>26,763,109</u>	<u>122,355,210</u>	<u>26,015,307</u>

- (i) Shares issued on settlement of consulting fees payable.
- (ii) Shares issued as part of Renounceable Rights Issue
- (iii) Shares issued as part of Renounceable Rights Issue



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

20. CAPITAL AND RESERVES (CONTINUED)

Share capital (continued)

	COMPANY	
	Management shares	
	2014	2013
	No. of shares	No. of shares
On issue at 1 July	2	2
On issue at 30 June – fully paid	2	2

Issuance of ordinary shares

During 2014 19,401,663 (2013:23,500,000) shares were issued and all issued shares are fully paid.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

There are two management shares on issue in the Company.

The voting rights applying to the management shares are contained in paragraph 4.5 of the Company's constitution. The holder of the management shares when present in person or by proxy or attorney at any general meeting of the Company is on a poll or any resolution entitled to as many votes as shall together with votes which the holder may exercise in respect of the shares held solely by him in his own capacity and not as trustee, attorney or otherwise as shall institute thirty per centum (30%) of the votes given personally or by proxy or attorney on such resolution.

The management shares carry no rights to dividends.

The terms of the management shares have not changed during the current financial year.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Capital management

Management's objective is to ensure the consolidated entity continues as a going concern and in the interests of shareholders. It aims to maintain a capital structure with the lowest cost of capital available to the Group. The Group has detailed planning processes, budgets and cash flow forecasts through which it continually monitors its position against the above objectives. At 30 June 2014 the capital structure consisted of total shareholders' funds, cash and other financial assets less finance lease borrowings.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

20. CAPITAL AND RESERVES (CONTINUED)

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

Option issue reserve

The option issue reserve relates to the cost of employee options and bonus options issued to shareholders in accordance with applicable Australian Accounting Standards.

Dividends

No dividends have been declared or paid during the year or subsequent to year end (2013:\$Nil).

Dividend franking account	COMPANY	
	2014	2013
30 per cent franking credits available to shareholders of Charter Pacific Corporation Limited for subsequent financial years	\$ <u>12,609,546</u>	\$ <u>12,609,546</u>

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of the current tax liabilities;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

21. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic and diluted earnings per share at 30 June 2014 was based on the loss attributable to ordinary shareholders of (\$2,692,636) (2013:(\$4,489,296)) and a weighted average number of ordinary shares outstanding of 138,136,027 (2013:112,644,833), calculated as follows:

Loss attributable to ordinary shareholders	2014	2013
	\$	\$
Net loss for the year	<u>(2,692,636)</u>	<u>(4,489,296)</u>
Net loss attributable to ordinary shareholders	<u>(2,692,636)</u>	<u>(4,489,296)</u>
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	122,355,210	98,855,210
Effect of shares issued	<u>15,780,817</u>	<u>13,789,623</u>
Weighted average number of ordinary shares at 30 June	<u>138,136,027</u>	<u>112,644,833</u>
Basic and diluted loss per share	\$ (0.019)	\$ (0.040)



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

22. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing lease liabilities. For more information about the Group's exposure to interest rate risk, see note 26.

	Nominal		CONSOLIDATED	
	Interest	Years to	2014	2013
	Rate	Maturity	\$	\$
Current				
Finance lease liabilities	7.24%	1 year	-	5,170
Convertible note (i)	7.00%	< 1 year	-	16,841
Secured loans (ii)	7.00%	< 1 year	1,076,568	-
Convertible note (iii)	8.00%	< 1 year	381,562	-
Secured loans (iv)	7.00%	< 1 year	233,506	1,122,504
			<u>1,691,636</u>	<u>1,144,515</u>
(i) Convertible note				
Opening balance			16,841	-
Repayments			(10,461)	-
Rights Issue			(6,380)	-
Accrued interest			-	16,841
Liability as at 30 June			<u>-</u>	<u>16,841</u>
(ii) Secured loans				
Opening balance			1,122,504	-
Proceeds from loans			-	1,075,000
Repayments			(58,781)	-
Rights Issue			(60,639)	-
Accrued interest			73,484	47,504
Liability as at 30 June			<u>1,076,568</u>	<u>1,122,504</u>
(iii) Convertible note				
Proceeds from loans			392,000	-
Equity component			(13,378)	-
Accrued interest			2,940	-
Liability as at 30 June			<u>381,562</u>	<u>-</u>
(iv) Secured loans				
Proceeds from loans			230,000	-
Accrued interest			3,506	-
Liability as at 30 June			<u>233,506</u>	<u>-</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)

22. LOANS AND BORROWINGS (CONTINUED)

This note provides information about the contractual terms of the Group's interest-bearing lease liabilities. For more information about the Group's exposure to interest rate risk, see note 26.

2014

Convertible notes totalling \$392,000 were raised during 2014 and loan funds totalling \$230,000 were provided to the Company for working capital purposes. The convertible notes are to be repaid at the end of 12 months and the applicable interest rate is 8% per annum. The secured loans have no fixed date of repayment and an applicable interest rate of 7% per annum.

Convertible Note (iii) - the initial fair value of the liability portion of the bond was determined using a market interest rate of 14.9% for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently remeasured.

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

2013

Shareholders approved the terms and conditions of the convertible note at the annual general meeting on 13 November 2012 and the notes were subsequently converted into ordinary shares at \$0.08 each.

Loan funds totalling \$1,075,000 were provided to the Company for working capital purposes by Messrs Dart and Cole in the later part of 2012. These loan funds have been secured by a general security charge over the Company's assets. There is no fixed date of repayment and the applicable interest rate is 7% per annum.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

	Future minimum lease payments	Interest	Principal	Future minimum lease payments	Interest	Principal
	2014	2014	2014	2013	2013	2013
	\$	\$	\$	\$	\$	\$
Less than one year	-	-	-	4,994	312	4,682
Between one and five years	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,994</u>	<u>312</u>	<u>4,682</u>

The Group's lease liabilities are secured by the leased assets of \$Nil (2013:\$54,850), as in the event of default, the leased assets revert to the lessor.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

23. EMPLOYEE BENEFITS

	2014	2013
	\$	\$
Current		
Liability for annual leave	435,712	312,707
Liability for long service leave	785,493	718,801
Liability for non-executive Directors' retirement benefits	121,103	472,877
	<u>1,342,308</u>	<u>1,504,385</u>

Non-Executive Directors Retirement Scheme

The Company provides retiring non-executive Directors with benefits approved by shareholders at the 2000 annual general meeting. The retirement benefit is proportional to the length of service of the non-executive Director and commences after two years of service with the following benefits:

- up to 5 years service – up to 1.875 times their average annual remuneration over the previous three years;
- more than 5 years to 10 years service – between 2.250 and 3.571 times their average annual remuneration over the previous three years;
- more than 10 years to 15 years service – between 3.857 and 5 times their average annual remuneration over the previous three years; and
- more than 15 years service – maximum 5 times their average annual remuneration over the previous three years.

The Group's liability for non-executive Directors' retirement benefits, which is based on the number of years service provided at reporting date, has been included in employee entitlements and in Directors remuneration for all non-executive Directors who are presently entitled to payments under the scheme.

24. SHARE-BASED PAYMENTS

Employee Options Plan

At 29 November 1994, the Company established an Employee Options Plan that entitles all employees of the Company to receive options. Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the Rules of the Plan, is based on the weighted average price of the Company's shares traded during the five business days preceding the date of granting the option.

All options issued under the Employee Options Plan expire on the earlier of their expiry date or termination of the individual's employment at the discretion of the Directors. Options vest twelve months after they are granted.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

During the financial year, nil employee share options were exercised (2013:Nil).

There are no options outstanding at 30 June 2014 (2013:Nil).

There were no shares issued as share based payments during the 2014 financial year (2013:3,000,000).

Share-based payment expenses

	2014	2013
	\$	\$
Shares issued in lieu of cash payments	-	240,000
Total share-based payment expense	<u>-</u>	<u>240,000</u>

Shares issued in lieu of cash payments during the year were measured at the fair value of the services provided to the Group, being \$Nil (2013:\$240,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)

25. TRADE AND OTHER PAYABLES

	2014	2013
	\$	\$
<i>Current liabilities</i>		
Other trade payables and accrued expenses	1,391,840	154,970
	<u>1,391,840</u>	<u>154,970</u>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

26. FINANCIAL INSTRUMENTS

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	2014	2013
		\$	\$
Listed equity securities held for trading	17	2	267,817
Trade and other receivables	15	13,382	11,201
Cash and cash equivalents	18	350,596	561,839
		<u>363,980</u>	<u>840,857</u>

The Group does not have a significant exposure to credit risk outside of Australia. The Group's trade and other receivables include amounts owing from one counterparty totalling \$908,021 (2013:\$ 1,051,079).

Impairment losses/Provision for doubtful debts

The Group's trade and other receivables past due is \$908,021 (2013:\$1,051,079). The aging of the Group's loans and receivables at the reporting date was:

	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
	\$	\$	\$	\$
Not past due	11,841	-	11,201	-
More than one year	908,021	(906,480)	1,051,079	(999,195)
	<u>919,862</u>	<u>(906,480)</u>	<u>1,062,280</u>	<u>(999,195)</u>

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2014	2013
	\$	\$
Balance at 1 July	1,051,079	740,695
Impairment loss recognised	9,401	40,000
Impairment reclassified	-	270,384
Recovery of impaired loan	(154,000)	-
Balance at 30 June	<u>906,480</u>	<u>1,051,079</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

26. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
30 June 2014	\$	\$	\$	\$	\$	\$	\$
Non-derivative financial liabilities							
Trade and other payables	1,391,840	(1,391,840)	-	(1,391,840)	-	-	-
Secured loan	1,076,568	(1,076,568)	-	(1,076,568)	-	-	-
Convertible note	381,562	(381,562)	-	(381,562)	-	-	-
Secured loan	233,506	(233,506)	-	(233,506)	-	-	-
		<u>(3,083,476)</u>	<u>-</u>	<u>(3,083,476)</u>	<u>-</u>	<u>-</u>	<u>-</u>

30 June 2013

Non-derivative financial liabilities

Trade and other payables	154,970	(154,970)	(154,970)	-	-	-	-
Secured loan	1,139,345	(1,139,345)	-	(1,139,345)	-	-	-
Finance lease liabilities	5,170	(5,170)	(5,170)	-	-	-	-
		<u>(1,299,485)</u>	<u>(160,140)</u>	<u>(1,139,345)</u>	<u>-</u>	<u>-</u>	<u>-</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Currency risk

Exposure to currency risk

There is no significant exposure within the Group to foreign currency risk at 30 June 2014 (2013:\$Nil).

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2014	2013
	\$	\$
Fixed rate instruments		
Financial liabilities	(1,691,636)	(1,144,515)
	<u>(1,691,636)</u>	<u>(1,144,515)</u>
Variable rate instruments		
Financial assets	350,596	561,839
	<u>350,596</u>	<u>561,839</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

26. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by \$3,260 (2013:\$562). This analysis assumes all other variables remain constant.

Fair values

Fair values versus carrying amounts

Fair value is not significantly different to their carrying amount, and that due to the short-term nature of the current receivables other receivables and payables, their carrying amount is assumed to be the same as their fair value.

The basis for determining fair values is disclosed in note 4.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Group's listed equity investments are level 1 instruments (refer note 17).

27. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2014	2013
	\$	\$
Not later than one year	87,073	75,044
Later than one year but not later than five years	287,855	374,928
	<u>374,928</u>	<u>449,972</u>

The Group has one operating lease that runs for a period of 4 years, with an option to renew the lease after that date. Lease payments are increased every year by 4%.

During the year ended 30 June 2014 \$75,044 was recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases (2013:\$225,818).



Permit 792 - outcropping BIF shown with bedding planes front on, forming a prominent ridge with slabs of BIF forming scree along the hill slope



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)

28. OTHER COMMITMENTS

	2014	2013
	\$	\$
Employee compensation commitments		
Key management personnel		
<i>Commitments under employment contracts not provided for in the financial statements and payable:</i>		
Within one year	1,253,782	1,191,352
One year or later and no later than three years	2,698,765	2,564,384
Three years or later	1,451,409	2,827,234
	<u>5,403,956</u>	<u>6,582,970</u>

29. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2014 the parent Company of the Group was Charter Pacific Corporation Limited.

	COMPANY	
Note	2014	2013
	\$	\$
Result of the parent entity		
Loss for the period	(2,685,366)	(4,489,801)
Other comprehensive income	-	-
Total comprehensive loss for the period	<u>(2,685,366)</u>	<u>(4,489,801)</u>
Financial position of parent entity at year end		
Current assets	249,161	783,238
Total assets	2,662,917	2,995,199
Current liabilities	4,404,609	2,799,327
Total liabilities	4,404,609	2,799,327
Total equity of the parent entity comprising of:		
Share capital	26,763,109	26,015,308
Revaluation reserve	(4,496)	(4,496)
Option reserve	1,854,846	1,854,846
Accumulated losses	(30,355,151)	(27,669,786)
Total Equity	<u>(1,741,692)</u>	<u>195,872</u>

Parent entity contingencies

The Directors are of the opinion that no provisions are required in respect of any contingent liabilities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)

30. RELATED PARTIES

Key management personnel compensation

The key management personnel compensation comprised:

	2014	2013
	\$	\$
Short-term employee benefits	1,377,541	1,321,060
Other long-term benefits	34,382	76,106
Post employment benefits	116,948	84,000
Termination benefits	350,000	-
Share-based payments	-	240,000
	<u>1,878,871</u>	<u>1,721,166</u>

Loans from key management personnel

During 2014 loan funds totalling \$180,000 were provided to the Company for working capital purposes by Messrs Dart and Cole (2013:\$1,075,000). There is no fixed date of repayment and the applicable interest rate is 7% per annum (2013:7%).

As at 30 June 2014 total loan funds of \$1,259,604 are owed to Messrs Dart and Cole by the Company.

There were no other transactions with key management personnel, or their related parties, conducted during the 2014 year.

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Charter Pacific Corporation Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2013	Granted as remuneration	Expired	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
<i>Executives</i>						
Mr S A Cole	-	-	-	-	-	-

	Held at 1 July 2012	Granted as remuneration	Exercised	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
<i>Executives</i>						
Mr S A Cole	200,000	-	(200,000)	-	-	-

No options held by key management personnel are vested but not exercisable at 30 June 2014 (2013:Nil).

Movements in shares

The movement during the reporting period in the number of ordinary shares in Charter Pacific Corporation Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2013	Purchases	Received on exercise of options	Other issues	Sales	Held at 30 June 2014
<i>Directors</i>						
Mr K J Dart	33,469,750	331,204	-	2,500,000	-	36,300,954
Mr P J Bradfield	500,000	-	-	500,000	-	1,000,000
Mr D H Selfe	3,000,000	-	-	-	-	3,000,000
<i>Executives</i>						
Mr S A Cole	3,416,420	60,000	-	1,607,831	-	5,084,251



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)**

30. RELATED PARTIES (CONTINUED)
Movements in shares (continued)

	Held at 1 July 2012	Purchases	Received on exercise of options	Other issues	Sales	Held at 30 June 2013
<i>Directors</i>						
Mr B V Sprod	628,700	-	-	-	-	628,700
Mr K J Dart	20,367,250	13,102,500	-	-	-	33,469,750
Mr P J Bradfield	500,000	-	-	-	-	500,000
Mr D H Selfe	-	-	-	3,000,000	-	3,000,000
<i>Executives</i>						
Mr S A Cole	3,069,648	346,780	-	-	-	3,416,420

There were nil shares granted to key management personnel during the reporting period as compensation (2013:3,000,000).

Associates

The impairment losses recognised during the year relating to the Group's investments in, and loans to, associates totalled \$Nil (2013:\$Nil).

At 30 June 2014, the carrying value of loans to associates was \$Nil, after impairment losses (2013:Nil).

The Group charged interest of \$Nil (2013:\$Nil) to associates at commercial rates of 12% per annum. Transactions with associates are priced on an arm's length basis. No dividends were received from associates in the 2014 financial year (2013:\$Nil).

During the financial year associates purchased administrative services from the Company in the amount of \$Nil (2013:\$122,300).

Other

Included in trade and other receivables is an amount of \$908,021 owed by a related entity which has been provided for as a doubtful debt based on the current position of the company. The loan was repayable on demand and carried an interest rate of 12% per annum up until the company's operating subsidiaries were placed into administration.

31. GROUP ENTITIES

Name	Country of Incorporation	Ownership interest	
		2014	2013
		%	%

Parent entity

Charter Pacific Corporation Limited

Controlled entities

Global Agri Services Pty Ltd (formerly Global Defence Systems Pty Ltd)	Australia	100.0	100.0
West Africa Iron Pty Ltd	Australia	100.0	100.0
West Africa Resources Pty Ltd	Australia	100.0	100.0
West Africa Gold Pty Ltd	Australia	100.0	100.0
Charter Pacific Capital Ltd	Australia	0.0	100.0
Legletait Iron Mauritanie S.A	Mauritania	70.0	0.0
WA Iron Mauritanie S.A	Mauritania	51.0	51.0
WA Resources Mauritanie S.A	Mauritania	51.0	51.0



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(CONTINUED)

32. AUDITORS' REMUNERATION

	2014	2013
	\$	\$
Audit services:		
<i>Auditors of the Company</i>		
Audit and review of financial reports	51,840	54,530
	51,840	54,530
Other auditors:		
Audit and review of financial reports	-	-
	51,840	54,530

33. TAX ASSETS AND LIABILITIES

The current tax liability for the Group of \$Nil (2013:\$Nil) represents the amount of income taxes payable in respect of the current and prior financial periods.

The Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability (asset) and deferred tax assets arising from tax losses / credits recognised by the members in the tax consolidated group.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2014	2013
	\$	\$
Tax losses	10,078,263	7,385,627

The deductible temporary differences and tax losses do not expire under current tax legislation.

Deferred tax assets are only recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

34. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 31 July 2014 5,500,000 shares were issued at \$0.04 per issue in lieu of payment of professional fees.

On 23 September 2014 the Company announced that it has finalised first round funding for the acquisition of the advanced Hematite deposit permit 2138 in Mauritania by its subsidiary Legleitat Iron Mauritanie SA's (Legleitat). The funding provides loan funds of US\$3M by its in-country partner and Legleitat shareholder, WAFA Mining & Petroleum

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

CHARTER PACIFIC CORPORATION LIMITED

DIRECTORS' DECLARATION

- 1 In the opinion of the Directors of Charter Pacific Corporation Limited ("the Company"):
 - (a) the consolidated financial statements and notes that are set out on pages 28 to 65 and the Remuneration Report in section 11 in the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Company Secretary for the financial year ended 30 June 2014.
- 3 The Directors draw attention to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Gold Coast this 30th day of September 2014.

A handwritten signature in blue ink, appearing to read 'Kevin J Dart'.

Kevin J Dart
Executive Chairman

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDINGS (as at 19 September 2014)

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number
Mr Kevin Dart + Mr Kevin Dart <Dart Family Super Fund A/c>	36,252,954

Voting rights

Ordinary shares

Refer to note 20 in the financial statements.

Management shares

The voting rights attaching to the management shares are:

The holder of the management shares when present in person or by proxy or attorney at any general meeting of the Company shall on a poll or any resolution be entitled to as many votes as shall together with votes which the holder may exercise in respect of the shares held solely by him in his own capacity and not as trustee, attorney or otherwise as shall institute thirty per centum (30%) of the votes given personally or by proxy or attorney on such resolution.

Distribution of equity security holders

NUMBER OF EQUITY SECURITY HOLDERS

Category	Ordinary shares
1 – 1,000	320
1,001 – 5,000	757
5,001 – 10,000	317
10,001 – 100,000	375
100,001 and over	119

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,464.

Securities Exchange

The Company is listed on the Australian Securities Exchange. The Home exchange is Perth.

Other information

Charter Pacific Corporation Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

ASX ADDITIONAL INFORMATION

Twenty largest shareholders

Name	Number of shares held	Percentage of capital held
MR KEVIN JOHN DART <DART FAMILY SUPER FUND A/C>	34,258,500	23.26%
ALIMTER PTY LTD <ASHLEY ZIMPEL FAMILY>	9,125,000	6.20%
TUGGERANONG CONSTRUCTION CORPORATION PTY LIMITED	6,783,768	4.61%
TOPETE PTY LTD <SUPERANNUATION FUND A/C>	5,778,125	3.92%
DAYTON WAY FINANCIAL PTY LTD <CLIENT A/C>	5,000,000	3.40%
MORNINGTON INVESTMENTS (VIC) PTY LTD <E & T & CO EE ELVINS A/C>	4,906,176	3.33%
MR ROBERT GREGORY LOOBY <FAMILY ACCOUNT>	4,289,078	2.91%
MR DAVID HENRY SELFE	3,000,000	2.04%
EAN INVESTMENTS PTY LTD	2,639,770	1.79%
MR SCOTT MICHAEL ANDERSON & MS SALLY LOUISE BROWN <THE ABETHA HOLDINGS SF A/C>	2,590,175	1.76%
JUMP INVESTMENTS PTY LTD <JUMP EMPLOYEES S/F A/C>	2,583,334	1.75%
MR STEVEN COLE <THE COLE SUPERFUND A/C>	2,295,913	1.56%
MR ROBERT GREGORY LOOBY <ROB LOOBY SUPER ACCOUNT>	2,058,334	1.40%
MR KEVIN JOHN DART	1,994,454	1.35%
MR SIMON MELVILLE <S&R MELVILLE SUPER FUND A/C>	1,668,107	1.13%
MR STEVEN COLE	1,392,904	0.95%
M M FLEMING PTY LTD	1,362,400	0.93%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,327,221	0.90%
PAD NOMINEES PTY LTD <PADBARRY SUPER FUND A/C>	1,318,550	0.90%
BRADFIELD CORPORATE SERVICES PTY LIMITED <SUPER FUND A/C>	1,000,000	0.68%
	<u>95,371,809</u>	<u>64.77%</u>

Trenching on Permit 792





Banded Magnetite-Quartz Unit

BIF outcrop



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