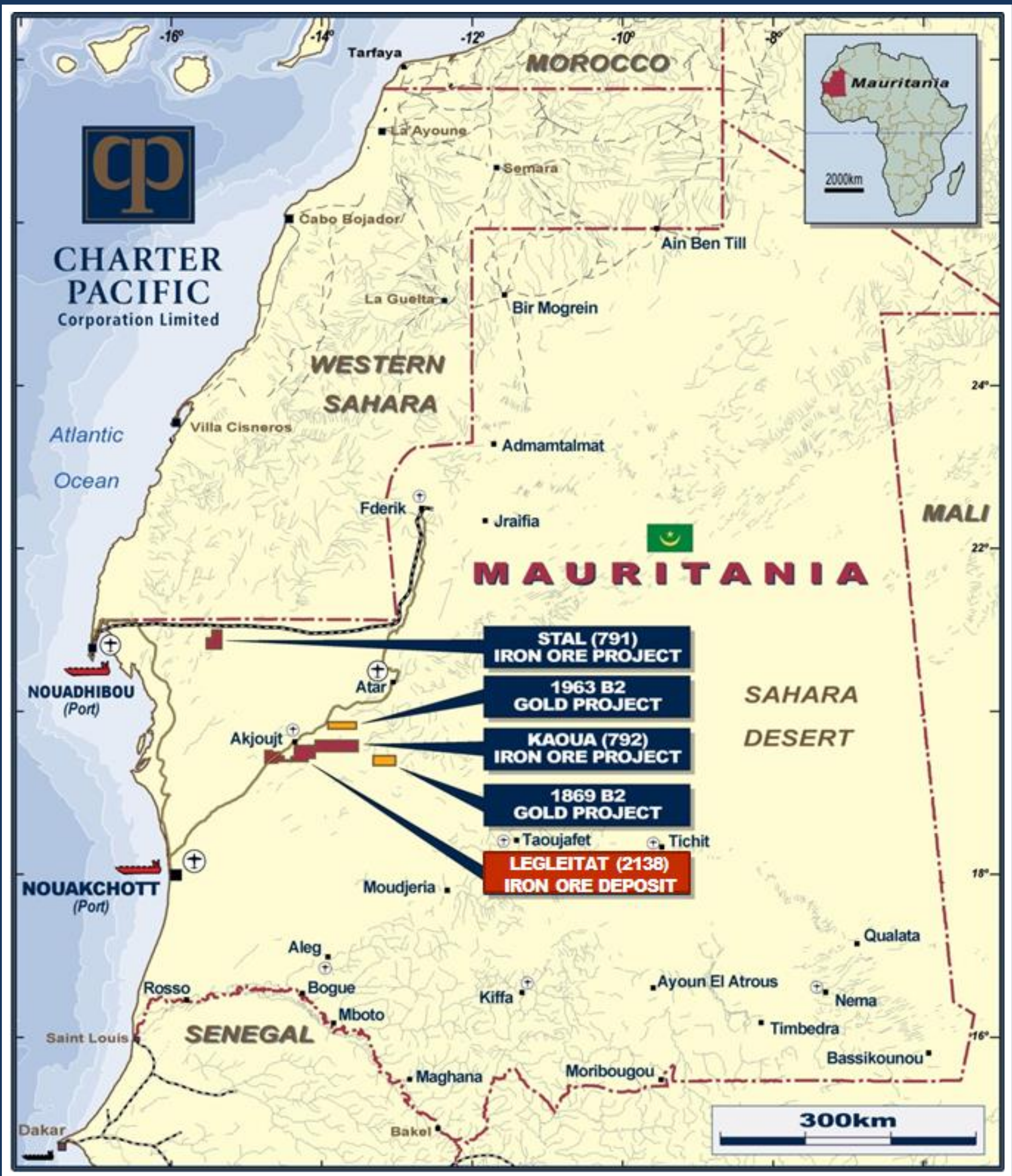
CHARTER PACIFIC

Corporation Limited

ABN 12 003 344 287

& ITS CONTROLLED ENTITIES

# ANNUAL FINANCIAL REPORT
# 30 JUNE 2015




| Permit | Size | Mineral Type |
|---|---|---|
| 2138 | 995km² | Group 1 – iron ore |
| 791 | 498km² | Group 1 – iron ore |
| 792 | 960km² | Group 1 – iron ore |
| 1963 | 390km² | Group 2 – gold/copper |
| 1869 | 403km² | Group 2 – gold/copper |

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# CORPORATE DIRECTORY

| | |
|---|---|
| **Directors** | Kevin Dart<br>Peter Bradfield<br>David Selfe |
| **Corporate Advisory Committee** | Abdel Kader Ould Saleh Ould Bohey |
| **Company Secretary** | Steven Cole |
| **Registered Office** | Level 18<br>50 Cavill Avenue<br>Surfers Paradise QLD 4217<br>Ph: 07 5538 2558 |
| **Principal Place of Business** | Level 18<br>50 Cavill Avenue<br>Surfers Paradise QLD 4217<br>Ph: 07 5538 2558 |
| **Share Register** | Link Market Services Ltd<br>Level 15<br>324 Queen Street<br>Brisbane QLD 4000<br>Telephone: (02) 8280 7454<br>Facsimile: (02) 9287 0303 |
| **Auditor** | BDO East Coast Partnership<br>Level 14<br>140 William Street<br>Melbourne VIC 3000 |
| **Solicitors** | Barraket Stanton<br>Level 11<br>90 Arthur Street<br>North Sydney NSW 2060 |
| **Bankers** | National Australia Bank<br>Level 20<br>100 Creek Street<br>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 12 month period ended 30 June 2015 was a challenging year as the Company experienced the rapid decline in the iron ore price and to a certain degree the erosion of the confidence in the resources sector. As Charter Pacific is a diversified investment company it enabled us to look at other opportunities to advance the Company.

On 11 September 2015 the Company entered into an agreement with Integrity Systems Inc. (Integrity) to acquire 100% of Integrity -

- a global company manufacturing and distributing leading edge patented anti-counterfeiting technology,
- protecting the integrity of leading brands and products worldwide,
- currently earning strong revenues. All revenues earned in US$,
- a mobile phone app providing multi levels of brand verification by the consumer at the point of sale and provides the ability for brands to connect with their customers in real-time, and
- operating for over 15 years globally, headquartered in New York, the company manufactures ex-China with sales offices in the US, Hong Kong, China, and Australia.

As a leader in the anti-counterfeiting industry, Integrity's two levels of anti-counterfeit solutions can be applied to almost any fabrication and substrate, to any part of a product, large or small. It provides multi levels of brand protection layered with client/consumer data integration via the use of a mobile phone app.

Integrity custom designs, manufacture and distribute labels incorporating its leading edge patented GenuineThread™ and GenuineQR Code™ to ISO 9001 international standards. The application for Integrity's technology is versatile for almost any industry including pharmaceutical, apparel and accessories, food and beverage, cosmetics, electronics and automotive.

Tracked with visible and invisible protection, Integrity's patented technology is applied with labels, packaging and directly to the actual product itself to provide multi levels of brand protection.

The proposed acquisition of Integrity Systems Inc. represents a stand out opportunity for the Company. The Anti-Counterfeiting Packaging Market has been reported to be worth $128.6 Billion by 2019 (refer report, Anti-Counterfeiting Packaging Market by Technology (Authentication & Anti-Tampering, and Track & Trace), by Application (Food & Beverage, Pharmaceuticals, and Others) - Global Trends & Forecast to 2019).

Integrity's technology may enable a solution with foods imported into Australia or exported from Australia being able to utilise the mobile app to verify the source and date to give the consumer knowledge of where the product originated.

The details of the proposed acquisition will be set out in a Notice of Extraordinary General Meeting, which will include an Information Memorandum about Integrity and an Independent Expert's Report for shareholders consideration and approval soon.

The successful completion of this transaction will transform the Company because of its existing and growing strong cash flow.

<u>The Year in Review</u>

The Company worked towards securing funding for the acquisition of the Legleitat iron ore mining project in Mauritania as well as development and operational funding for commencement of the mining operations.

In September 2014 the Company finalised its first round funding for the acquisition of the Legleitat iron ore project in Mauritania which provided US$3M from our in-country partner and Legleitat shareholder, WAFA Mining & Petroleum.

**CHAIRMAN'S REVIEW (CONTINUED)**

The commencement of the Legleitat mine operations was planned to begin in the first quarter of 2015 when the substantial fall in iron ore prices at that time adversely impacted the Company's ability to secure funding and joint venture partners for the project. The Board decided not to commit the Company to further work on the project until long term funding for the mine development and operations was in place.

Whilst the production costs for the Legleitat project are comparable to the largest iron ore suppliers globally and the product is of high quality, the appetite from potential funders and joint venture partners for commencing a new iron ore mining project has greatly diminished following the iron ore price decline from late 2014.

Accordingly the Company has minimised its costs and preserved its options for future developments in respect to its resources assets in Mauritania until such time that is better aligned with market opportunity. The Board will continue to assess and monitor market conditions and also evaluate opportunities to monetise the resources assets in Mauritania.

During the year we continued to focus on reducing operating costs and as reported previously the Directors and Officers continue to defer a significant portion of their remuneration to preserve our Company's financial position.

This year the Company has reported a consolidated loss of $4.7m for the 2015 financial year compared to a loss of $2.7m in 2014. The Group's performance in 2015 was severely impacted by the downturn in global iron ore prices and the resources markets which has resulted in the impairment of the Group's Mauritanian investments by $2.2 million. The increased loss also included a deemed interest expense of $900k primarily relating to the acquisition of the Legleitat permit and future payments to the Mauritanian government although no actual interest payments were paid or payable during the year. The Company also booked a foreign exchange loss of $530k that reflects the change in the value of borrowings of US$3m for the first round of funding for the Legleitat iron project as a result of the decrease in the value of the Australian dollar to the US dollar.

We look forward to providing to our shareholders a notice of meeting and information memorandum setting out the details of the proposed acquisition of Integrity Systems Inc. for their consideration and approval in the future. On behalf of the Board I would like to thank our shareholders for their continued support and look forward to a positive outcome for the Company in the 2016 financial year.

Yours sincerely,

**Kevin J Dart**
Executive Chairman

30 September 2015

## DIRECTORS' REPORT
## FOR THE YEAR ENDED 30 JUNE 2015

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 2015.

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**DIRECTORS' REPORT (CONTINUED)**
**FOR THE YEAR ENDED 30 JUNE 2015**

## 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**<br>**Executive Chairman**<br>**(Managing Director/Chief Executive Officer)**<br>**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.<br>He was previously a director of Conquest Agri Limited – resigned 6 June 2014.<br>He was previously a director of Monteray Mining Group Ltd – resigned 15 May 2013.<br>Director since 1988 – appointed Managing Director 1988. |
| **Mr Peter John Bradfield LLB, FAICD**<br>**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.<br>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.<br>Appointed 13 August 2007.<br>Chairman of Audit Committee. |
| **Mr David Henry Selfe BSc, MAusIMM**<br>**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.<br>He is a current director of unlisted public company Morpheous Resources Ltd, a gold focussed explorer in West Africa.<br>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.<br>Appointed 7 June 2012.<br>Member of Audit Committee. |

## 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 2015**

## 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 2015, 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** | 15 | 15 | - | - |
| **Mr P J Bradfield** | 15 | 15 | 2 | 2 |
| **Mr D H Selfe** | 15 | 15 | 2 | 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 Group during the course of the financial year ended 30 June 2015 were securing the Legleitat iron ore mining licence from the Mauritanian government, continued development and funding of the mining and exploration activities in Mauritania.

Following the downturn in the iron ore market the Company's Board decided to investigate other opportunities for the Company. The Company has reviewed and assessed numerous acquisition opportunities during the year and continues to do so with the view to being in a position to provide definitive information to shareholders as soon as possible.

Other than this there were no significant changes in the nature of the activities of the Group during the twelve months ended 30 June 2015.

**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 2015 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 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Net loss | ($4,777,495) | ($2,692,636) | ($4,489,296) | ($2,724,842) | ($2,882,986) |
| Dividends paid | - | - | – | – | – |
| Basic EPS | ($0.030) | ($0.019) | ($0.04) | ($0.03) | ($0.03) |
| Change in share price | ($0.019) | ($0.004) | ($0.04) | $0.033 | $0.015 |

Review of Principal Businesses

The consolidated net loss attributable to the members of Charter Pacific Corporation Limited was $4,459,408 (2014:$ 2,691,003). The loss is largely due to impairment losses of $2.4m and deemed interest expense of $900k primarily relating to the future payments to the Mauritanian Government.

## 5. Operating and Financial Review (continued)

Review of Operations

**Corporate Services** comprises the services provided to Conquest Agri Limited in 2015.
This segment derived a profit of $276,952 compared to a loss $709 in 2014. The profit in 2015 can be attributed to services provided to Conquest Agri Limited.

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

Conquest Agri Limited – 1.4% (2014:15%) owned – On 30 October 2014, Conquest abandoned a proposed acquisition of 100% of the issued capital of Priority One Network Group Limited subsequent to Priority One not satisfying certain conditions precedent for the transaction. On 5 December 2014 Conquest appointed a Voluntary Administrator as the first step in Conquest being restructured in preparation for the acquisition of a new business enterprise via a Deed of Company Arrangement (DOCA). The DOCA was approved by creditors and then Conquest shareholders on 12 February 2015 and effectuated on 2 March 2015. Following the restructure of Conquest the Company's holding has reduced from 15% to 1.4%.

On 3 August 2015 Conquest announced the execution of a terms sheet to acquire 100% of the issued capital of Property Connect Inc (PCI) subject to several conditions, including but not limited to completion of due diligence on PCI to the satisfaction of Conquest, Conquest shareholder approval and ASX approval for the re-quotation of the Company's securities following completion of the proposed transaction.

This segment recorded a profit of $154,925 from a recovery of a loan compared to a $Nil result in 2014.

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

This segment recorded $Nil result compared to a loss of $96,503 in 2014. The loss in 2014 was 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**
The Company holds a 60% interest in Legleitat Iron Mauritanie S.A which holds iron ore mining permit 2138. The Company owns through its wholly owned subsidiaries, West Africa Iron Pty Ltd and West Africa Resources Pty Ltd, a 51% interest in Mauritanian iron ore exploration permits 792 and 791 respectively. The Company has the right to move to 100% ownership of both permit 792 and 791 at its election. The Company also holds through its 100% owned subsidiary West Africa Gold Pty Ltd a 100% interest in gold exploration permits 1869 and 1963 in Mauritania.

The commencement of the Legleitat mine operations was planned to begin in the first quarter of 2015 when the substantial fall in iron ore prices at that time impacted the Company's ability to secure long term funding and joint venture partners for the project. The Board then prudently decided not to commit the Company to further work on the project until long term funding for the mine development and operations was in place.

The appetite from potential funders and joint venture partners for iron ore mining and exploration projects has greatly diminished following the iron ore price decline from late 2014. The volatile and continuing weakness in iron ore and gold prices during the last 12 months has frustrated the Company's efforts to secure development funding and or joint venture partners for the Legleitat iron ore mining operations and the planned exploration for permits 791, 792, 1869 and 1963. The Company has minimised its costs and preserved its options for future developments in respect to all of its resources assets, iron ore and gold, in Mauritania until such time that is better aligned with market opportunity. The Board will continue to assess and monitor market conditions and also evaluate opportunities to monetise the resources assets in Mauritania.

**DIRECTORS' REPORT (CONTINUED)**
**FOR THE YEAR ENDED 30 JUNE 2015**

**5. Operating and Financial Review (continued)**

Review of Operations (continued)

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 -

In May 2015 a heads of agreement was entered into to investigate the acquisition 100% of Accloud Limited, however, the proposed transaction was subsequently abandoned at the end of July 2015.

On 21 July 2015 1,000,000 shares were issued at $0.04 per issue in lieu of payment of professional fees.

On 11 September 2015 the Company announced that it had entered into an agreement with Integrity Systems Inc. (Integrity) to acquire 100% of Integrity. Integrity custom designs, manufacture and distribute labels incorporating its leading edge patented GenuineThread™ and GenuineQR Code™ to ISO 9001 international standards. The application for Integrity's technology is versatile for almost any industry including pharmaceutical, apparel and accessories, food and beverage, cosmetics, electronics and automotive.

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

Apart from the above announcement, no other matter or circumstance has arisen since 30 June 2015 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.

**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. 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 (2014: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 5,000,000 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 (2014:Nil) ordinary shares.

## 10. Remuneration Report (Audited)

The Directors are pleased to present Charter Pacific Corporation Limited's 2015 remuneration report which sets our remuneration information for the Company's non-executive Directors, executive Director and other key management personnel in accordance with the requirements of the Corporations Act 2011 and its Regulations.

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 2014 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

## 10.1 Principles of Compensation

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all Directors.

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.

**DIRECTORS' REPORT (CONTINUED)**
**FOR THE YEAR ENDED 30 JUNE 2015**

**10. Remuneration Report (Audited) (continued)**
**10.1 Principles of Compensation (continued)**

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 evaluations of Directors and senior executives were undertaken by the Board during the reporting period.

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 set 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.

At the end of the financial year, the Chairman and Managing Director assess 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.

**10. Remuneration Report (Audited) (continued)**

10.1 Principles of Compensation (continued)

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:

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Net loss for the period | ($4,777,495) | ($2,692,636) | ($4,489,296) | ($2,724,842) | ($2,882,986) |
| Change in share price | ($0.019) | ($0.004) | ($0.04) | $0.033 | $0.015 |
| 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.

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.

**10. Remuneration Report (Audited) (continued)**

10.1 Principles of Compensation (continued)

Service Contracts (continued)

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.

The Executive Chairman and Company Secretary have agreed with the company to implement a 40% reduction in their remuneration packages effective as at 1 July 2014.

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 2014 Annual General Meeting

Charter Pacific received more than 99% of "yes" votes from eligible proxies received on its Remuneration Report for the 2014 financial year.

**10. Remuneration Report (Audited) (continued)**

10.2 Directors' and Executive Officers' Remuneration

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 | 2015 | 50,000 | 50,000 | - | 220,282 | 118,611 | 438,893 |
| | 2014 | 50,000 | 50,000 | 29,167 | 546,467 | 214,894 | 890,528 |
| STI Cash bonus | 2015 | - | - | - | - | - | - |
| | 2014 | - | - | - | - | - | - |
| Non-monetary benefits | 2015 | - | - | - | 204,600 | 78,000 | 282,600 |
| | 2014 | - | - | - | 214,167 | 135,245 | 349,412 |
| **Post-employment** | | | | | | | |
| Superannuation benefits | 2015 | 4,750 | 4,750 | - | 70,000 | 35,000 | 114,500 |
| | 2014 | 4,625 | 4,625 | 2,698 | 70,000 | 35,000 | 116,948 |
| **Long-term benefits** | | | | | | | |
| Retirement benefits | 2015 | - | 56,250 | - | - | - | 56,250 |
| | 2014 | 17,300 | - | - | - | - | 17,300 |
| Termination benefits | 2015 | - | - | - | - | - | - |
| | 2014 | - | - | 350,000 | - | - | 350,000 |
| Annual leave + long service leave | 2015 | - | - | - | 96,996 | 7,259 | 104,255 |
| | 2014 | - | - | - | 115,510 | 39,173 | 154,683 |
| **Share-based payments** | | | | | | | |
| Equity settled | 2015 | - | - | - | - | - | - |
| | 2014 | - | - | - | - | - | - |
| **Total** | 2015 | 54,750 | 111,000 | - | 591,878 | 238,870 | 996,498 |
| | 2014 | 71,925 | 54,625 | 381,865 | 946,144 | 424,312 | 1,878,871 |
| **Actual received** | 2015 | **-** | **-** | **-** | **188,850** | **71,500** | **260,350** |
| Deferred amount | 2015 | 54,750 | 111,000 | - | 403,028 | 167,370 | 736,148 |

As previously advised 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.

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 (2014:Nil).

**10. Remuneration Report (Audited) (continued)**

10.2 Directors' and Executive Officers' Remuneration (continued)

Details of Performance Related Remuneration

Details of the Group's policy in relation to the proportion of remuneration that is performance related is reviewed annually by the Board. During the 2015 financial year no performance remuneration was allocated to Executives and employees.

10.3 Analysis of Share Based Compensation included in Remuneration

There were no shares issued as part of compensation during the year ended 30 June 2015 (2014:Nil).

10.4 Equity Instruments

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:

| | **Ordinary shares** | **Management Shares** | **Options over ordinary shares** |
|---|---|---|---|
| **Direct** | | | |
| Mr K J Dart | 1,828,314 | – | – |
| Mr P J Bradfield | – | – | – |
| Mr D H Selfe | 1,991,825 | – | – |
| | | | |
| **Indirect** | | | |
| Mr K J Dart | 34,672,640 | 2 | – |
| Mr P J Bradfield | 1,000,000 | – | – |
| Mr D H Selfe | 1,000,000 | – | – |

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.

10.4.1 Options and Rights over Equity Instruments Granted as Compensation

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.

10.4.2 Modification of Terms of Equity–Settled Share–Based Payment Transactions

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.

10.4.3 Exercise of Options Granted as Compensation

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

10.4.4 Analysis of Movements in Options

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

**DIRECTORS' REPORT (CONTINUED)**
**FOR THE YEAR ENDED 30 JUNE 2015**

**10. Remuneration Report (Audited) (continued)**

10.5 Loans to Key Management Personnel (continued)

There were no loans to key management personnel in the 2015 financial year.

10.6 Loans from Key Management Personnel

During 2015 there were no loan funds provided to the Company for working capital purposes by Messrs Dart and Cole (2014:$180,000). There is no fixed date of repayment and the applicable interest rate is 7% per annum (2014:7%).

As at 30 June 2015 total loan funds of $1,238,355 are owed to Messrs Dart and Cole by the Company.

10.7 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 2014 | Acquired with share purchase | Expired | Held at 30 June 2015 | Vested during the year | Vested and exercisable at 30 June 2015 |
|---|---|---|---|---|---|---|
| *Executives* | | | | | | |
| Mr S A Cole | - | 750,000 | - | 750,000 | 750,000 | 750,000 |

| | Held at 1 July 2013 | Acquired with share purchase | Exercised | Held at 30 June 2014 | Vested during the year | Vested and exercisable at 30 June 2014 |
|---|---|---|---|---|---|---|
| *Executives* | | | | | | |
| Mr S A Cole | - | - | - | - | - | - |

No options held by key management personnel are vested but not exercisable at 30 June 2015 (2014:Nil).

10.8 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 2014 | Purchases | Received on exercise of options | Other issues | Sales | Held at 30 June 2015 |
|---|---|---|---|---|---|---|
| *Directors* | | | | | | |
| Mr K J Dart | 36,300,954 | 200,000 | - | - | - | 36,500,954 |
| Mr P J Bradfield | 1,000,000 | - | - | - | - | 1,000,000 |
| Mr D H Selfe | 3,000,000 | - | - | - | 8,175 | 2,991,825 |
| *Executives* | | | | | | |
| Mr S A Cole | 5,084,251 | 750,000 | - | - | - | 5,834,251 |

| | Held at 1 July 2013 | Purchases | Received on exercise of options | Other issues | Sales | Held at 30 June 2014 |
|---|---|---|---|---|---|---|
| *Directors* | | | | | | |
| 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 |
| *Executives* | | | | | | |
| Mr S A Cole | 3,416,420 | 60,000 | - | 1,607,831 | - | 5,084,251 |

**10. Remuneration Report (Audited) (continued)**

10.8 Movements in shares (continued)

There were nil shares granted to key management personnel during the reporting period as compensation (2014:Nil).

This concludes the Remuneration Report which has been audited.

## 11. 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.

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.

## 12. 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:

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **Audit services:** | | |
| *Auditors of the Company* | | |
| Audit and review of financial reports | 46,525 | 51,840 |
| | 46,525 | 51,840 |
| Other auditors: | | |
| Audit and review of financial reports | - | - |
| | 46,525 | 51,840 |

**DIRECTORS' REPORT (CONTINUED)**
**FOR THE YEAR ENDED 30 JUNE 2015**

**13. 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 28.

**14. 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 2015.

**CORPORATE GOVERNANCE STATEMENT**
**FOR THE YEAR ENDED 30 JUNE 2015**

The Corporate Governance Statement of Charter Pacific Corporation Limited (the Company) has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') and is included in the Company's Annual Report pursuant to ASX Listing rule 4.10.3. This listing rule requires the Company to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the Company has not followed a recommendation and any related alternative governance practice adopted.

**Principle 1: Lay solid foundations for management and oversight**
This principle requires the Company to establish and disclose the respective roles and responsibilities of both the Board and management.

*Role of the Board of Directors*
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 controls, 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.

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.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**
**FOR THE YEAR ENDED 30 JUNE 2015**

**Principle 1: Lay solid foundations for management and oversight (continued)**
*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 (3), 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.

The Board acknowledges that the Company does not fully comply with Principle 1 of the ASX Corporate Governance Practices and recommendations.

The Board has resolved that in view of the small size of the Company's business operations the functions of separate committees are best to be undertaken by the full Board.

**Principle 2: Structure the board to add value**
This principle requires the Company's board to be of effective composition and commitment to adequately undertake its duties and responsibilities.

*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;
- as 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.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**
**FOR THE YEAR ENDED 30 JUNE 2015**

**Principle 2: Structure the board to add value (continued)**
*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.

*Board skills and experience*
The Board considers that a diverse range of skills, experience and backgrounds is required on the Board to effectively govern the business. It determines and reviews from time to time the mix of skills and experience that it looks to achieve in its membership which, in broad terms, includes the following:
- knowledge of the business sectors in which the Company operates;
- senior executive and international business experience;
- financial acumen and relevant operating experience;
- knowledge of global capital markets;
- experience in regulatory and government policy;
- experience in the development and implementation of strategy; and
- experience in the oversight of health, safety and environmental risks and challenges.

*Nomination Committee*
The Company does not have a Nomination Committee.

The Board acknowledges that the Company does not fully comply with Principle 2 of the ASX Corporate Governance Practices and recommendations.

The Board has resolved that in view of the small size of the Company's business operations the functions of the Nomination Committee are best undertaken by the full Board.

**Principle 3: Act ethically and responsibly**
This principle requires the Company and its Directors, officers, employees and agents to act ethically and responsibly and promote ethical and responsible decision making.

*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;

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**
**FOR THE YEAR ENDED 30 JUNE 2015**

**Principle 3: Act ethically and responsibly (continued)**
*Code of Conduct (continued)*

- 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.

*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 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.

The Board believes that the Company is fully compliant with Principle 3 and its recommendations.

**Principle 4: Safeguard integrity in corporate reporting**
This principle requires the Company to have a structure to verify and safeguard the integrity of the Company's financial reporting.

*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 David Selfe – independent non–executive Director.

Due to the Company's limited number of Directors (3), the Audit Committee comprises the two non-executive directors of the Board whose qualifications and experience is set out on page 7 of this annual report.

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 two 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 2015 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.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**
**FOR THE YEAR ENDED 30 JUNE 2015**

**Principle 4: Safeguard integrity in corporate reporting (continued)**
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.

The Board acknowledges that the Company does not fully comply with Principle 4 of the ASX Corporate Governance Practices and recommendations in that the Audit Committee comprises of the two non-executive directors out of the Company's three directors.

**Principle 5: Make timely and balanced disclosure**
This principle requires the Company to make timely and balanced disclosure of all material matters concerning the Company to maintain an informed market in its securities.

The Company has an obligation under the ASX Listing Rules to maintain an informed market in its securities. The Company ensures that the market is advised of all information that is required to be disclosed under the Listing Rules in accordance with the ASX continuous disclosure regime.

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;

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

**Principle 5: Make timely and balanced disclosure (continued)**

- 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.

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.

The Board believes that the Company is fully compliant with Principle 5 and its recommendations.

**Principle 6: Respect the rights of security holders**
This principle requires that the Company respect the rights of its security holders and facilitate the effective exercise of those rights.

The Company is owned by its security holders and the board's primary responsibility is to security holders and to achieve the Company's corporate objectives and therefore increase the Company's value.

The Board provides security holders 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. The main communications with security holders are the Annual Reports, Half yearly Reports, Annual General Meetings and any Extra-ordinary General Meetings. More details of the policy are available on the Company's website www.charpac.com.au .

The Board believes that the Company is fully compliant with Principle 6 and its recommendations.

**Principle 7: Recognise and manage risk**
This principle requires that the Company has an established system of risk oversight and management and internal controls.

*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.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**
**FOR THE YEAR ENDED 30 JUNE 2015**

**Principle 7: Recognise and manage risk (continued)**
*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.

*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.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)
## FOR THE YEAR ENDED 30 JUNE 2015

**Principle 7: Recognise and manage risk (continued)**
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.

The Board believes that the Company is fully compliant with Principle 7 and its recommendations.

**Principle 8: Remunerate fairly and responsibly**
This principle requires that the level and composition is sufficient and reasonably set to attract and retain appropriately qualified and experienced Directors and executives.

The Board has not established a Remuneration Committee because of the limited size and nature of operations of the Company and the Board has resolved that the functions of a remuneration committee are best undertaken by the full Board.

Full details regarding the Company's remuneration amounts and policies are disclosed in the audited Remuneration Report on pages 11 to 18 of the Company's Annual Report.

The Board acknowledges that the Company does not fully comply with Principle 8 of the ASX Corporate Governance Practices and recommendations.

As stated above the Board has resolved that in view of the limited size of the Company's business operations the functions of the Remuneration Committee are best to be undertaken by the full Board.

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**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 2015, 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 2015

BDO

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Australia

**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 2015, 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 2015 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 ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets and the continued support by directors to meet any short term funding requirements of the consolidated entity. 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 11 to 18 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

**BDO East Coast Partnership**

BDO

**James Mooney**
**Partner**

Melbourne, 30 September 2015

CHARTER PACIFIC
Corporation Limited

# FINANCIAL STATEMENTS
# 30 JUNE 2015

CONTENTS



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## GENERAL INFORMATION

The financial statements cover Charter Pacific Corporation Limited as a consolidated entity consisting of Charter Pacific Corporation Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Charter Pacific Corporation Limited's functional and presentation currency.

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

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors on 30 September 2015. The Directors have the power to amend and reissue the financial statements.

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## STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2015

| | Note | CONSOLIDATED 2015 $ | 2014 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 18 | 158,562 | 350,596 |
| Trade and other receivables | 15 | 26,220 | 13,382 |
| Prepayments | | 1,060 | 13,488 |
| Financial assets at fair value through profit or loss | 17 | 2 | 2 |
| **Total current assets** | | 185,844 | 377,468 |
| Exploration and evaluation expenditure | 13 | 9,084,295 | 2,262,060 |
| Plant and equipment | 14 | 49,582 | 65,751 |
| Other | 13 | 3,522,636 | - |
| **Total non–current assets** | | 12,656,513 | 2,327,811 |
| **Total assets** | | 12,842,357 | 2,705,279 |
| **LIABILITIES** | | | |
| Trade and other payables | 25 | 2,017,959 | 1,391,840 |
| Loans and borrowings | 22 | 5,562,559 | 1,691,636 |
| Employee benefits | 23 | 1,502,279 | 1,342,308 |
| **Total current liabilities** | | 9,082,797 | 4,425,784 |
| Loans and borrowings | 22 | 6,223,942 | - |
| **Total non–current liabilities** | | 6,223,942 | - |
| **Total liabilities** | | 15,306,739 | 4,425,784 |
| **NET LIABILITIES** | | (2,464,382) | (1,720,505) |
| **EQUITY** | | | |
| Issued capital | 20 | 27,794,600 | 26,763,109 |
| Reserves | 20 | 1,329,543 | 1,850,052 |
| Accumulated losses | | (34,819,124) | (30,359,716) |
| **Total deficiency attributable to equity holders of the Company** | | (5,694,981) | (1,746,555) |
| Non-controlling interest | 20 | 3,230,599 | 26,050 |
| **TOTAL DEFICIENCY** | | (2,464,382) | (1,720,505) |

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

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

| | Note | CONSOLIDATED 2015 $ | 2014 $ |
|---|---|---|---|
| **Revenue** | 7 | 431,877 | (92,206) |
| Other income | 8 | 261,000 | 154,000 |
| **Expenses** | | | |
| Depreciation and amortisation expenses | 14 | (16,169) | (25,463) |
| Rent and occupancy costs | | (106,040) | (138,216) |
| Professional fees | | (525,692) | (361,311) |
| Travel expenses | | (39,297) | (49,623) |
| Shareholder reports and registry costs | | (62,966) | (48,603) |
| Employee benefits expense | 9 | (1,194,702) | (1,800,789) |
| Finance costs | 10 | (911,834) | - |
| Other operating expenses | | (207,213) | (321,012) |
| **Net operating loss before impairment losses** | | (2,371,036) | (2,683,223) |
| Impairment losses | 12 | (2,406,459) | (9,413) |
| **Loss before income tax for the year** | | (4,777,495) | (2,692,636) |
| Income tax (expense)/benefit | 11 | - | - |
| **Loss after income tax for the year** | | (4,777,495) | (2,692,636) |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Foreign currency translation | 10 | (537,906) | (298) |
| Other comprehensive income for the year, net of income tax | | (537,906) | (298) |
| **Total comprehensive loss for the year** | | (5,315,401) | (2,692,934) |
| **Loss for the year is attributable to:** | | | |
| Non-controlling interest | | (318,087) | (1,633) |
| Owners of Charter Pacific Corporation Limited | | (4,459,408) | (2,691,003) |
| | | (4,777,495) | (2,692,636) |
| **Loss per share for the year attributable to the members of Charter Pacific Corporation Limited** | | | |
| Basic loss per share | 21 | (0.030) | (0.019) |
| Diluted loss per share | 21 | (0.030) | (0.019) |

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

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2015

| | Issued capital $ | Option issue reserve $ | Fair value reserve $ | Foreign currency translation reserve $ | Accumulated losses $ | Non-controlling interest $ | Total equity $ |
|---|---|---|---|---|---|---|---|
| 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) |
| *Other comprehensive income* | | | | | | | |
| 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** | | | | | | | |
| Shares issued, net of transactions costs | 734,424 | - | - | - | - | - | 734,424 |
| Value of conversion rights on convertible notes | 13,378 | - | - | - | - | - | 13,378 |
| Total transactions with owners | 747,802 | - | - | - | - | - | 747,802 |
| Non-controlling interest | - | - | - | - | - | 8,385 | 8,385 |
| **Balance at 30 June 2014** | 26,763,109 | 1,854,846 | (4,496) | (298) | (30,359,716) | 26,050 | (1,720,505) |
| Balance at 1 July 2014 | 26,763,109 | 1,854,846 | (4,496) | (298) | (30,359,716) | 26,050 | (1,720,505) |
| **Total comprehensive income for the year** | | | | | | | |
| Loss for the year | - | - | - | - | (4,459,408) | (318,087) | (4,777,495) |
| *Other comprehensive income* | | | | | | | |
| Foreign currency translation differences | - | - | - | (537,906) | - | - | (537,906) |
| Total other comprehensive income | - | - | - | (537,906) | - | - | (537,906) |
| **Total comprehensive (loss) for the year** | - | - | - | (537,906) | (4,459,408) | (318,087) | (5,315,401) |
| **Transactions with owners, recorded directly in** | | | | | | | |
| Shares issued, net of transactions costs | 1,040,773 | - | - | - | - | - | 1,040,773 |
| Options issued | - | 17,397 | - | - | - | - | 17,397 |
| Value of conversion rights on convertible notes | (9,282) | - | - | - | - | - | (9,282) |
| Total transactions with owners | 1,031,491 | 17,397 | - | - | - | - | 1,048,888 |
| Non-controlling interest | - | - | - | - | - | 3,522,636 | 3,522,636 |
| **Balance at 30 June 2015** | 27,794,600 | 1,872,243 | (4,496) | (538,204) | (34,819,124) | 3,230,599 | (2,464,382) |

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

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2015

| | Note | CONSOLIDATED 2015 $ | 2014 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash receipts in the course of operations | | 500,000 | 16,200 |
| Cash payments in the course of operations | | (972,769) | (1,145,329) |
| Cash used in operations | | (472,769) | (1,129,129) |
| Interest paid | | (5,357) | (16,311) |
| Interest received | | 2,073 | 4,203 |
| **Net cash used in operating activities** | 19 | (476,053) | (1,141,237) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for property, plant and equipment | | - | (1,044) |
| Repayment of loans from other entities | | - | 142,400 |
| Acquisition payment for Mauritania | | (3,443,370) | - |
| Exploration and evaluation expenditure | | (255,136) | (468,738) |
| Proceeds from sale of investments | | - | 171,215 |
| **Net cash used in investing activities** | | (3,698,506) | (156,167) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Capital raised | | 200,000 | 526,751 |
| Proceeds from convertible notes | | 80,000 | 392,000 |
| Proceeds from secured loans | | 330,000 | 230,000 |
| Repayments on loan funds | | (65,045) | (62,590) |
| Loan funds for Mauritania | | 3,437,570 | - |
| **Net cash from financing activities** | | 3,982,525 | 1,086,161 |
| **Net decrease in cash and cash equivalents** | | (192,034) | (211,243) |
| Cash and cash equivalents at the beginning of the financial year | | 350,596 | 561,839 |
| **Cash and cash equivalents at the end of the financial year** | 18 | 158,562 | 350,596 |

The above 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 2015

### 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 incorporate the assets and liabilities of all subsidiaries of Charter Pacific Corporation Limited ('Company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Charter Pacific Corporation Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

### 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 2015.

### (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) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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;
- note 1(d) – going concern.

### (d) Going concern

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

The consolidated entity has incurred a loss after tax for the year ended 30 June 2015 of $4,777,495 and had net cash outflows from operating activities of $476,053. 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:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 2. BASIS OF PREPARATION (CONTINUED)

### (d) Going concern (continued)

- Directors received a letter of intent from an investment broker in respect to raising capital (up to $1million) to assist Charter Pacific to continue to meet its business objectives and continue to operate as a going concern.
- Directors, Company Secretary and staff continue to fund the Company operations to meet any short term funding requirements.
- Directors are implementing plans to introduce new cornerstone investors to the Group 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.
- The Group 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 Group within the next 12 months unless the Group raises sufficient capital to meet its operational requirements.
- The Group has received letters of financial support from the Directors, Company Secretary and staff (loan holders) confirming that demand of loan funds and unpaid interest as at 30 June 2015 will not be made on the Group within the next 12 months unless the Group raises sufficient capital to meet its operational requirements.
- As at 30 June 2015, the consolidated entity had cash and cash equivalents of $158,562.
- 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 Group will be able to access equity capital markets to raise sufficient funds for its ongoing operations, as and when required.
- Management of the consolidated entity will actively manage the current level of discretionary expenditures in line with the funds available to the consolidated entity.
- During the year ended 30 June 2015, the consolidated entity received funds from convertible notes and secured/unsecured loans totalling $410,000 to manage the cash flows requirements. This is indicative of an underlying level of support for the operations carried out by the consolidated entity.

Based on the above, the Directors are satisfied that, adequate plans are in place and that the Group 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.

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:

*AASB2013-3 Amendments to AASB136 – Recoverable Amount disclosures for Non-Financial Assets*

The consolidated entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 Profit or Loss.

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.

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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Basis of consolidation (continued)**

*(ii) Subsidiaries (continued)*

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

*(iii) Investments in Associates (equity accounted investees)*

Associates are entities over which the Group has significant influence, but not control, or joint 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 translation**

The financial statements are presented in Australian dollars, which is Charter Pacific Corporation Limited's functional and presentation currency.

*(i) Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*(ii) Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**(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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Financial instruments (continued)**

*(i) Non–derivative financial instruments (continued)*

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.

*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)(*i*)) 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 Profit or Loss.

*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 Profit or Loss.

*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*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the Statement of Financial Position

*(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.

*(iii) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Exploration and evaluation expenditures (continued)**

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.

**(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 difference 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 Profit or Loss.

*(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 Profit or Loss 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) Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(f) Investments and other financial assets (continued)**

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

*Impairment of financial assets*

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost subsequent increments in value are recognised in Other Comprehensive Income through the Fair Value Reserve.

**(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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(h) Impairment (continued)**

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

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.

**(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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Employee benefits (continued)**

*(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**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**(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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the Statement of Financial Position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

**(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 2015 (CONTINUED)**

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Revenue Recognition

*(i) Services*

Revenue from services rendered is recognised in Profit or Loss 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) Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*(iii) Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

### (n) Lease payments

Payments made under operating leases are recognised in Profit or Loss 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 Profit or Loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs are recognised in Profit or Loss 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 or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or,
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Income tax (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

*(i) Tax consolidation*

Charter Pacific Corporation Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. 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 2015 (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.

**(t) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**(u) 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 consolidated entity for the annual reporting period ended 30 June 2015. 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(u) New standards and interpretations not yet adopted**

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in Other Comprehensive Income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 4. DETERMINATION OF FAIR VALUES (CONTINUED)

(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.

*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.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

*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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 6. OPERATING SEGMENTS (CONTINUED)

| CONSOLIDATED - 2015 | CORPORATE SERVICES | INVESTMENTS | SHARE TRADING | EXPLORATION & EVALUATION | UNALLOCATED | TOTAL |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | | $ |
| Total external revenue | 276,952 | 154,925 | - | - | - | 431,877 |
| Inter–segment revenue | - | - | - | - | - | - |
| Depreciation and amortisatic | - | - | - | - | (16,169) | (16,169) |
| Interest expenses | - | - | - | (788,183) | (123,651) | (911,834) |
| Impairment expenses | - | - | - | (2,406,459) | - | (2,406,459) |
| Other expenses | - | - | - | (6,610) | (1,868,300) | (1,874,910) |
| Profit/(Loss) before income tax expense | 276,952 | 154,925 | - | (3,201,252) | (2,008,120) | (4,777,495) |
| **Assets** | | | | | | |
| Segment assets | - | - | 2 | 12,606,931 | - | 12,606,933 |
| *Unallocated assets* | | | | | | |
| Cash and cash equivalents | | | | | | 158,562 |
| Other assets | | | | | | 76,862 |
| **Total assets** | | | | | | 12,842,357 |
| **Total assets includes:** | | | | | | |
| Acquisition of non-current assets | - | - | - | 8,806,589 | - | 8,806,589 |
| **Liabilities** | | | | | | |
| Segment liabilities | - | - | - | 10,141,672 | - | 10,141,672 |
| *Unallocated liabilities* | | | | | | |
| Trade and other payables | | | | | | 1,623,392 |
| Loans and borrowings | | | | | | 2,039,396 |
| Employee benefits | | | | | | 1,502,279 |
| **Total liabilities** | | | | | | 15,306,739 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 6. OPERATING SEGMENTS (CONTINUED)

| CONSOLIDATED - 2014 | CORPORATE SERVICES | INVESTMENTS | SHARE TRADING | EXPLORATION & EVALUATION | UNALLOCATED | TOTAL |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | | $ |
| Total external revenue | - | 4,297 | (96,503) | - | - | (92,206) |
| Other income | - | - | - | - | - | 154,000 |
| Depreciation and amortisation | | | | | | (25,463) |
| Interest expenses | | | | | | - |
| Impairment expenses | | | | | | (9,413) |
| Other expenses | | | | | | (2,719,554) |
| Loss before income tax expense | (709) | - | (96,503) | - | (2,595,424) | (2,692,636) |
| **Assets** | | | | | | |
| Segment assets | - | - | 2 | 2,262,060 | - | 2,262,062 |
| *Unallocated assets* | | | | | | |
| Cash and cash equivalents | | | | | | 350,596 |
| Other assets | | | | | | 92,621 |
| **Total assets** | | | | | | 2,705,279 |
| **Total assets includes:** | | | | | | |
| Acquisition of non-current as | - | - | - | - | - | - |
| **Liabilities** | | | | | | |
| Segment liabilities | - | - | - | - | - | - |
| *Unallocated liabilities* | | | | | | |
| Trade and other payables | | | | | | 1,391,840 |
| Loans and borrowings | | | | | | 1,691,636 |
| Employee benefits | | | | | | 1,342,308 |
| **Total liabilities** | | | | | | 4,425,784 |

## 7. REVENUE

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | $ | $ |
| Realised gains on investments held for trading | | - | (861) |
| Unrealised change in value of investments held for trading | | - | (95,642) |
| Professional fees | | 276,952 | - |
| Finance income | 10 | 154,925 | 4,297 |
| **Total revenue** | | 431,877 | (92,206) |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 8. OTHER INCOME

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Recovery of impaired loan | 261,000 | 154,000 |
| **Other income** | 261,000 | 154,000 |

## 9. EMPLOYEE BENEFITS EXPENSE

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Wages and salaries | 592,962 | 1,056,062 |
| Other associated personnel expenses | 295,369 | 389,033 |
| Superannuation contributions | 146,400 | 148,698 |
| Annual leave expense | 37,999 | 123,004 |
| Long–service leave expense | 63,854 | 66,692 |
| Directors retirement benefits expense | 58,118 | 17,300 |
| | 1,194,702 | 1,800,789 |

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

## 10. FINANCE INCOME AND EXPENSE

| | 2015 | 2014 |
|---|---|---|
| **Recognised in profit or loss** | $ | $ |
| Interest income | 154,925 | 4,297 |
| Finance income | 154,925 | 4,297 |
| Finance costs recognised in the Statement of Profit or Loss and Other Comprehensive Income | (911,834) | - |
| - Unwinding of discount on deferred consideration | (788,183) | - |
| - Interest on other loans and borrowings | (123,651) | - |
| 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 recognised in other comprehensive income, net of tax | (537,906) | (298) |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 11. INCOME TAX EXPENSE

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Numerical reconciliation between tax expense and pre–tax net loss** | | |
| Loss for the period | (4,777,495) | (2,692,636) |
| Total income tax expenses | - | - |
| Loss excluding income tax | (4,777,495) | (2,692,636) |
| | | |
| Income tax/(benefit) using the Company's domestic tax rate of 30% (2014:30%) | (1,433,249) | (807,791) |
| Non–deductible expenses | 22,211 | 28,384 |
| Changes in unrecognised temporary differences – deferred tax assets not recognised | 1,411,038 | 779,407 |
| Income tax expense/(benefit) | - | - |

## 12. IMPAIRMENT LOSSES

| | Note | 2015<br>$ | 2014<br>$ |
|---|---|---|---|
| **Associates** | | | |
| Impairment of investments | | - | 9,401 |
| | | - | 9,401 |
| **Other** | | | |
| Other | | 183,054 | 12 |
| Exploration and evaluation expenditure | 13 | 2,223,405 | - |
| | | 2,406,459 | 12 |
| | | | |
| Total impairment losses | | 2,406,459 | 9,413 |

## 13. EXPLORATION AND EVALUATION EXPENDITURE

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| *Costs carried forward in respect of area of interest in:* | | |
| - Exploration and evaluation phases | 9,084,295 | 2,262,060 |
| | 9,084,295 | 2,262,060 |
| | | |
| Opening balance | 2,262,060 | 1,810,939 |
| Acquisitions during the year | 8,806,589 | - |
| Expenditure during the year | 239,051 | 451,121 |
| Impairment | (2,223,405) | - |
| Closing balance | 9,084,295 | 2,262,060 |

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 2015 (CONTINUED)**

## 13. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

An impairment of $2,223,405 relates to the iron ore and gold exploration permits in Mauritania.

In September 2014 the Group 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) by securing a loan of US$3M (incorporated in loans and borrowings of $3,917,730 in the Statement of Financial Position) from its in-country partner and Legleitat shareholder, WAFA Mining & Petroleum for the initial payment of the permit to the Mauritanian Government is included in the loans and borrowings amount of $5,562,559. An amount of $3,522,636 in the Statement of Financial Position relates to WAFA's contribution to Charter Pacific for the payments to the Mauritanian Government for the Legleitat permit.

As part of the loan, WAFA Mining & Petroleum received an additional 10% equity in Legleitat Iron Mauritanie SA, increasing its equity position to 20%. The Mauritanian Government remains a 20% shareholder and Charter Pacific now holds 60% of the company.

No interest is payable on the loan. In the event of a default by the Company under the loan agreement then the Company's interest in Legleitat Iron Mauritanie SA together with the Company's interest in West Africa Iron Mauritanie SA will transfer to the lender in full and final satisfaction of the loan agreement.

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 -this payment has been made.
1st anniversary of commencement of operations
US$2M payable by WAFA Mining & Petroleum, Deferred payment balance of $2,611,820
2nd anniversary of commencement of operations
US$2M payable by Charter Pacific, Deferred payment balance of $2,611,820
3rd anniversary of commencement of operations
US$2M payable by WAFA Mining & Petroleum, Deferred payment balance of $2,611,820
4th anniversary of commencement of operations
US$1M payable by Charter Pacific Deferred payment balance of $1,305,910

The present value calculations relating to deferred payments have a 30% discount factor which represents the loan and borrowings amount of $6,223,942 in the Statement of Financial Position.

The commitments of WAFA in terms of payment for the permit have recorded as a non-current receivable and Charter Pacific's payment for the permit have been recorded as a non-current liability.

*Exploration and evaluation costs*
Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 14. PLANT AND EQUIPMENT

| | Plant and equipment | Motor vehicles | Total |
|---|---|---|---|
| **Cost** | **$** | **$** | **$** |
| Balance at 1 July 2013 | 374,910 | 104,187 | 479,097 |
| Additions | 7,765 | - | 7,765 |
| Disposals | (37,813) | - | (37,813) |
| Balance at 30 June 2014 | 344,862 | 104,187 | 449,049 |
| Balance at 1 July 2014 | 344,862 | 104,187 | 449,049 |
| Balance at 30 June 2015 | 344,862 | 104,187 | 449,049 |
| **Accumulated Depreciation** | | | |
| Balance at 1 July 2013 | 340,211 | 49,337 | 389,548 |
| Depreciation for the year | 20,254 | 5,209 | 25,463 |
| Disposals | (31,713) | - | (31,713) |
| Balance at 30 June 2014 | 328,752 | 54,546 | 383,298 |
| Balance at 1 July 2014 | 328,752 | 54,546 | 383,298 |
| Depreciation for the year | 10,959 | 5,210 | 16,169 |
| Balance at 30 June 2015 | 339,711 | 59,756 | 399,467 |
| **Carrying amounts** | | | |
| At 1 July 2013 | 34,699 | 54,850 | 89,549 |
| At 30 June 2014 | 16,110 | 49,641 | 65,751 |
| At 1 July 2014 | 16,110 | 49,641 | 65,751 |
| At 30 June 2015 | 5,151 | 44,431 | 49,582 |

The Group did not lease any vehicles during the 2015 or 2014 financial year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 15. TRADE AND OTHER RECEIVABLES

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Other debtors | 26,220 | 11,841 |
| Receivables due from related party | - | 908,021 |
| Less: Provision for doubtful debt | - | (906,480) |
| | 26,220 | 13,382 |
| **Non-current** | | |
| Other receivables | - | 361,693 |
| Less: Provision for doubtful debt | - | (361,693) |
| | - | - |
| Total trade and other receivables | 26,220 | 13,382 |

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

**Impairment of receivables**
The Group has recognised a loss of $Nil (2014:$9,401) in profit or loss in respect of impairment of receivables for the year ended 30 June 2015.

*Provision for impairment of receivables*
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position

## 16. EQUITY ACCOUNTED INVESTEES

The Group's share of losses in its equity accounted investees for the year was $Nil (2014:$Nil).

There was no equity accounted investees during the 2015 financial year.

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

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Listed equity securities held for trading | 2 | 2 |
| | 2 | 2 |

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 18. CASH AND CASH EQUIVALENTS

| | 2015 $ | 2014 $ |
|---|---|---|
| Cash at bank | 16,514 | 200,773 |
| Cash on short–term deposits | 142,048 | 149,823 |
| **Cash and cash equivalents in the Statement of Cash Flows** | 158,562 | 350,596 |

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

## 19. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

| | 2015 $ | 2014 $ |
|---|---|---|
| Loss for the period | (4,777,495) | (2,692,636) |
| *Adjustments for:* | | |
| Share based payments | 17,397 | - |
| Depreciation and amortisation | 16,169 | 25,463 |
| Impairment losses | 2,406,459 | 9,413 |
| **Changes in assets and liabilities:** | (2,337,470) | (2,657,760) |
| (Increase)/decrease in trade and other receivables | (12,838) | 19 |
| (Increase)/decrease in prepayments | 12,428 | (25,571) |
| (Increase)/decrease in investments held for trading | - | 267,815 |
| Increase/(decrease) in provisions and employee benefits | 159,970 | 1,436,337 |
| Increase/(decrease) in trade and other payables | 1,701,857 | (162,077) |
| **Net cash used in operating activities** | (476,053) | (1,141,237) |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 20. CAPITAL AND RESERVES

### Share capital

| | COMPANY Ordinary shares | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | No. of shares | $ | No. of shares | $ |
| On issue at 1 July | 141,756,873 | 26,763,109 | 122,355,210 | 26,015,307 |
| 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 |
| Shares issued 31 July 2014 (i) | 5,500,000 | 220,000 | - | - |
| Shares issued 7 November 2014 (i) | 5,000,000 | 200,000 | - | - |
| Shares issued 10 December 2014 (i) | 11,662,750 | 466,510 | - | - |
| Shares issued 10 December 2014 (iv) | 1,035,068 | 41,403 | - | - |
| Shares issued 20 May 2015 (iv) | 8,424,000 | 336,960 | - | - |
| Value of conversion rights on convertible notes | - | (9,282) | - | 13,378 |
| Less transaction costs | - | (224,100) | - | (41,643) |
| On issue at 30 June – fully paid | 173,378,691 | 27,794,600 | 141,756,873 | 26,763,109 |

(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
(iv) Shares issued on conversion of Convertible Notes

| | COMPANY Management shares | |
|---|---|---|
| | 2015 | 2014 |
| | 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 2015 31,621,818 (2014: 19,401,663) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 20. CAPITAL AND RESERVES (CONTINUED)

**Share capital (continued)**

**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 2015 the capital structure consisted of total shareholders' funds, cash and other financial assets less finance lease borrowings.

**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 (2014:$Nil).

| Dividend franking account | **COMPANY** | |
|---|---|---|
| | **2015** | **2014** |
| 30 per cent franking credits available to shareholders of Charter Pacific Corporation Limited for subsequent financial years | **$** | **$** |
| | 12,609,546 | 12,609,546 |

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.

**Non-controlling interest**
The non-controlling interest has a 40% interest in Legleitat Iron Mauritanie S.A (2014:30%) and a 49% interest in WA Iron Mauritanie S.A and WA Resources Mauritanie S.A (2014:49%).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 21. EARNINGS PER SHARE

**Basic earnings per share**

The calculation of basic and diluted earnings per share at 30 June 2015 was based on the loss attributable to ordinary shareholders of ($4,777,495) (2014:($2,692,636)) and a weighted average number of ordinary shares outstanding of 157,982,473 (2014:138,136,027), calculated as follows:

| **Loss attributable to ordinary shareholders** | **2015** | **2014** |
|---|---|---|
| | **$** | **$** |
| Net loss for the year | (4,777,495) | (2,692,636) |
| Net loss attributable to ordinary shareholders | (4,777,495) | (2,692,636) |
| **Weighted average number of ordinary shares** | | |
| Issued ordinary shares at 1 July | 141,756,873 | 122,355,210 |
| Effect of shares issued | 16,225,600 | 15,780,817 |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 157,982,473 | 138,136,027 |
| Adjustments for calculation of diluted earnings per share | | |
| Options over ordinary shares | (1,451,613) | - |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 156,530,860 | 138,136,027 |
| Basic loss per share | $ (0.030) | $ (0.019) |
| Diluted loss per share | $ (0.030) | $ (0.019) |

## 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.

| | | | **CONSOLIDATED** | |
|---|---|---|---|---|
| | Interest Rate | Years to Maturity | **2015** **$** | **2014** **$** |
| **Current** | | | | |
| Secured loans (ii) | 7.00% | < 1 year | 1,073,864 | 1,076,568 |
| Convertible note (iii) | 8.00% | < 1 year | 119,640 | 381,562 |
| Secured loans (iv) | 7.00% | < 1 year | 251,325 | 233,506 |
| Unsecured loan (v) | 0.00% | < 1 year | 200,000 | - |
| Loan - WAFA (vi) | 0.00% | < 1 year | 3,917,730 | - |
| | | | 5,562,559 | 1,691,636 |
| **Non–current** | | | | |
| Future payments to the Mauritanian Government (vii) | 0.00% | > 3 years | 6,223,942 | - |
| | | | 6,223,942 | - |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 22. LOANS AND BORROWINGS (CONTINUED)

| | CONSOLIDATED | |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| **(i) Convertible note** | | |
| Opening balance | - | 16,841 |
| Repayments | - | (10,461) |
| Rights Issue | - | (6,380) |
| Accrued interest | - | - |
| Liability as at 30 June | - | - |
| **(ii) Secured loans** | | |
| Opening balance | 1,076,568 | 1,122,504 |
| Repayments | (76,023) | (58,781) |
| Rights issue | - | (60,639) |
| Accrued interest | 73,319 | 73,484 |
| Liability as at 30 June | 1,073,864 | 1,076,568 |
| **(iii) Convertible note** | | |
| Opening balance | 381,562 | - |
| Proceeds from loans | 80,000 | 392,000 |
| Convertible notes converted | (378,363) | - |
| Equity component | 9,282 | (13,378) |
| Accrued interest | 27,159 | 2,940 |
| Liability as at 30 June | 119,640 | 381,562 |
| **(iv) Secured loans** | | |
| Opening balance | 233,506 | - |
| Proceeds from loans | 130,000 | 230,000 |
| Loans converted to shares | (130,000) | - |
| Accrued interest | 17,819 | 3,506 |
| Liability as at 30 June | 251,325 | 233,506 |
| **(v) Unsecured loan** | | |
| Proceeds from loans | 200,000 | - |
| Liability as at 30 June | 200,000 | - |
| **(vi) Loan - WAFA** | | |
| Loan funds | 3,437,570 | - |
| Foreign currency adjustment | 480,160 | - |
| Liability as at 30 June | 3,917,730 | - |
| **(vi) Future payments to the Mauritanian Government** | | |
| Deferred consideration | 6,223,942 | - |
| Liability as at 30 June | 6,223,942 | - |
| **Total** | 11,786,501 | 1,691,636 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (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.

**2015**

Convertible notes totalling $80,000 were raised during 2015 and loan funds totalling $130,000 were provided to the Group 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.

**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.

## 23. EMPLOYEE BENEFITS

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Liability for annual leave | 473,711 | 435,712 |
| Liability for long service leave | 849,347 | 785,493 |
| Liability for non–executive Directors' retirement benefits | 179,221 | 121,103 |
| | 1,502,279 | 1,342,308 |

**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

## 23. EMPLOYEE BENEFITS (CONTINUED)

### Non–Executive Directors Retirement Scheme (continued)

- 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 (2014:Nil).

There are no options outstanding at 30 June 2015 (2014:Nil).

There were no shares issued as share based payments during the 2015 financial year (2014:Nil).

## 25. TRADE AND OTHER PAYABLES

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| *Current liabilities* | | |
| Other trade payables and accrued expenses | 2,017,959 | 1,391,840 |
| | 2,017,959 | 1,391,840 |

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

## 26. FINANCIAL INSTRUMENTS

### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial risk management objectives (continued)**

Risk management is carried out by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

**Credit risk**

**Exposure to credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. The consolidated entity does not hold any collateral.

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 | 2015<br>$ | 2014<br>$ |
|---|---|---|---|
| Listed equity securities held for trading | 17 | 2 | 2 |
| Trade and other receivables | 15 | 26,220 | 13,382 |
| Cash and cash equivalents | 18 | 158,562 | 350,596 |
| | | 184,784 | 363,980 |

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 $Nil (2014:$908,021). The aging of the Group's loans and receivables at the reporting date was:

| | Gross<br>2015<br>$ | Impairment<br>2015<br>$ | Gross<br>2014<br>$ | Impairment<br>2014<br>$ |
|---|---|---|---|---|
| Not past due | 26,220 | - | 11,841 | - |
| More than one year | - | - | 908,021 | (906,480) |
| | 26,220 | - | 919,862 | (906,480) |

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

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Balance at 1 July | 906,480 | 1,051,079 |
| Impairment loss recognised | - | 9,401 |
| Impairment written off | (645,480) | - |
| Recovery of impaired loan | (261,000) | (154,000) |
| Balance at 30 June | - | 906,480 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

**26. FINANCIAL INSTRUMENTS (CONTINUED)**

**Liquidity risk**

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

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

| | Weighted average interest rate | 1 year or less | Between 1 & 2 years | Between 2 & 5 years | Over 5 years | Remaining contractual maturities |
|---|---|---|---|---|---|---|
| **30 June 2015** | **%** | **$** | **$** | **$** | **$** | **$** |
| **Non-derivative financial liabilities** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade and other payables | 0% | 2,017,959 | - | - | - | 2,017,959 |
| Unsecured loan | 0% | 200,000 | - | - | - | 200,000 |
| Loan - WAFA Mining & Petroleum | 0% | 3,917,730 | - | - | - | 3,917,730 |
| *Interest bearing - fixed rate* | | | | | | |
| Secured loan | 7% | 1,525,189 | - | - | - | 1,525,189 |
| Convertible note | 8% | 119,640 | - | - | - | 119,640 |
| | | 7,780,518 | - | - | - | 7,780,518 |
| **30 June 2014** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade and other payables | 0% | 1,391,840 | - | - | - | 1,391,840 |
| *Interest bearing - fixed rate* | | | | | | |
| Secured loan | 7% | 1,076,568 | - | - | - | 1,076,568 |
| Convertible note | 8% | 381,562 | - | - | - | 381,562 |
| Secured loan | 7% | 233,506 | - | - | - | 233,506 |
| | | 3,083,476 | - | - | - | 3,083,476 |

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

**Market risk**

**Foreign currency risk**

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

There is exposure within the Group to foreign currency risk in relation to the holding in Legleitat Iron Mauritanie SA in relation to its loan to WAFA Mining & Petroleum for US$3Million at 30 June 2015 (2014:$Nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

**Interest rate risk**

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

| | Carrying amount | |
|---|---|---|
| | **2015** | **2014** |
| | $ | $ |
| **Fixed rate instruments** | | |
| Financial liabilities | (1,644,829) | (1,691,636) |
| | (1,644,829) | (1,691,636) |
| **Variable rate instruments** | | |
| Financial assets | 158,562 | 350,596 |

**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 $1,586 (2014:$3,260). This analysis assumes all other variables remain constant.

**Fair values**

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

Non–cancellable operating lease rentals are payable as follows:

| | **2015** | **2014** |
|---|---|---|
| | **$** | **$** |
| Not later than one year | 91,396 | 87,073 |
| Later than one year but not later than five years | 196,459 | 287,855 |
| | 287,855 | 374,928 |

The Group has one operating lease that runs for a period of 3 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 2015 $87,073 was recognised as an expense in Profit or Loss in respect of operating leases (2014:$75,044).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)**

## 28. OTHER COMMITMENTS

**Employee compensation commitments**

**Key management personnel**

| | | |
|---|---|---|
| *Commitments under employment contracts not provided for in the financial statements and payable:* | | |
| Within one year | 716,447 | 1,253,782 |
| One year or later and no later than three years | 1,432,894 | 2,698,765 |
| Three years or later | - | 1,451,409 |
| | 2,149,341 | 5,403,956 |

## 29. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2015 the parent Company of the Group was Charter Pacific Corporation Limited.

| | Note | COMPANY 2015 $ | COMPANY 2014 $ |
|---|---|---|---|
| **Result of the parent entity** | | | |
| Loss for the period | | (3,982,702) | (2,685,366) |
| **Total comprehensive loss for the period** | | (3,982,702) | (2,685,366) |
| **Financial position of parent entity at year end** | | | |
| Current assets | | 403,856 | 249,161 |
| Total assets | | 5,756,238 | 2,662,917 |
| Current liabilities | | 9,065,522 | 4,404,609 |
| Total liabilities | | 10,978,645 | 4,404,609 |
| Total equity of the parent entity comprising of: | | | |
| Share capital | | 27,794,600 | 26,763,109 |
| Revaluation reserve | | (4,496) | (4,496) |
| Option reserve | | 1,872,243 | 1,854,846 |
| Foreign currency reserve | | (546,900) | - |
| Accumulated losses | | (34,337,854) | (30,355,151) |
| **Total Equity** | | (5,222,407) | (1,741,692) |

**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 2015 (CONTINUED)**

## 30. RELATED PARTIES

**Key management personnel compensation**

Disclosures relating to key management personnel are set out in the Remuneration Report in the Directors' Report. The aggregate compensation made to Directors and other key management personnel of the consolidated entity is set out below:

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Short–term employee benefits | 825,748 | 1,377,541 |
| Other long–term benefits | 56,250 | 34,382 |
| Post employment benefits | 114,500 | 116,948 |
| Termination benefits | - | 350,000 |
| | 996,498 | 1,878,871 |

## 31. GROUP ENTITIES

| Name | Country of Incorporation | Ownership interest | |
|---|---|---|---|
| | | 2015 | 2014 |
| | | % | % |
| **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 |
| Legletait Iron Mauritanie S.A | Mauritania | 60.0 | 70.0 |
| WA Iron Mauritanie S.A | Mauritania | 51.0 | 51.0 |
| WA Resources Mauritanie S.A | Mauritania | 51.0 | 51.0 |

## 32. AUDITORS' REMUNERATION

| | 2015 | 2014 |
|---|---|---|
| **Audit services:** | $ | $ |
| Auditors of the Company | | |
| Audit and review of financial reports | 46,525 | 51,840 |
| | 46,525 | 51,840 |
| Other auditors: | | |
| Audit and review of financial reports | - | - |
| | 46,525 | 51,840 |

## 33. TAX ASSETS AND LIABILITIES

The current tax liability for the Group of $Nil (2014:$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:

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Tax losses | 9,912,568 | 10,078,263 |

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

In May 2015 a heads of agreement was entered into to investigate the acquisition 100% of Accloud Limited, however, the proposed transaction was subsequently abandoned at the end of July 2015.

On 21 July 2015 1,000,000 shares were issued at $0.04 per issue in lieu of payment of professional fees.

On 11 September 2015 the Company announced that it had entered into an agreement with Integrity Systems Inc. (Integrity) to acquire 100% of Integrity. Integrity custom designs, manufacture and distribute labels incorporating its leading edge patented GenuineThread™ and GenuineQR Code™ to ISO 9001 international standards. The application for Integrity's technology is versatile for almost any industry including pharmaceutical, apparel and accessories, food and beverage, cosmetics, electronics and automotive.

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

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 32 to 70 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 2015 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 2015.

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 made pursuant to section 295(5)(a) of the Corporation Act 2001.

Dated at Gold Coast this 30h day of September 2015.

**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 29 September 2015)

**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> | 36,452,954 |

**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 | 316 |
| 1,001 – 5,000 | 744 |
| 5,001 – 10,000 | 306 |
| 10,001 – 100,000 | 358 |
| 100,001 and over | 139 |

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,503.

**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> | 34,624,640 | 19.73% |
| ALIMTER PTY LTD <ASHLEY ZIMPEL FAMILY> | 9,125,000 | 5.20% |
| TUGGERANONG CONSTRUCTION CORPORATION PTY LIMITED | 6,783,768 | 3.87% |
| TOPETE PTY LTD <SUPERANNUATION FUND A/C> | 5,940,875 | 3.39% |
| TOPETE PTY LTD | 5,500,000 | 3.13% |
| MR ROBERT GREGORY LOOBY <FAMILY ACCOUNT> | 5,347,391 | 3.05% |
| BEMP | 5,000,000 | 2.85% |
| DAYTON WAY FINANCIAL PTY LTD <CLIENT A/C> | 5,000,000 | 2.85% |
| MORNINGTON INVESTMENTS (VIC) PTY LTD <E & T & CO EE ELVINS A/C> | 4,806,455 | 2.74% |
| MR SCOTT MICHAEL ANDERSON & MS SALLY LOUISE BROWN <ABETHA HOLDINGS S/FUND A/C> | 3,300,000 | 1.88% |
| MS HELENA PENKO <PENKO SUPER FUND ACCOUNT> | 3,068,417 | 1.75% |
| EAN INVESTMENTS PTY LTD | 2,639,770 | 1.50% |
| MR ROBERT GREGORY LOOBY <ROB LOOBY SUPER ACCOUNT> | 2,338,334 | 1.33% |
| PEATY MANAGEMENT PTY LTD <MONTY MAJOR A/C> | 2,300,000 | 1.31% |
| MR STEVEN COLE <THE COLE SUPERFUND A/C> | 2,295,913 | 1.31% |
| LSAF HOLDINGS PTY LTD <OWEN FAMILY> | 2,245,271 | 1.28% |
| CHIFLEY PORTFOLIOS PTY LTD <DAVID HANNON A/C> | 2,160,000 | 1.23% |
| MR PAUL ANTHONY HENRY | 2,160,000 | 1.23% |
| MR DAVID HENRY SELFE | 1,991,825 | 1.14% |
| MR KEVIN JOHN DART | 1,828,314 | 1.04% |
| | 108,455,973 | 61.81% |

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