



CHARTER
PACIFIC
Corporation Limited

A.B.N. 12 003 344 287

28 February, 2005

STRONG FIRST HALF BY CHARTER PACIFIC

Charter Pacific Corporation (ASX: CHF) today announced that it had delivered an underlying pre-tax profit of \$10.03 million for the half year ending 31 December 2004, more than double the profit it posted for the first half of last year.

The result was a 144 per cent increase on the corresponding period in the previous year where Charter Pacific posted a half year pre-tax profit of \$4.1 million.

Chief Executive Officer of Charter Pacific, Kevin Dart, said the strong financial performance was the result of the company's continued delivery on its strategy of building a diverse portfolio of investments, growing the investments and at the right time crystallising them.

"This first half result continues the company's path of delivering sustained financial growth for the company and its shareholders," Mr Dart said.

"We have over the past two years been refining our strategy and as a result we believe we are now well positioned to further grow and generate superior returns for our shareholders."

Mr Dart said the first half performance was primarily the result of the company's continued strategic sell down of its equity in Metal Storm Limited. Charter Pacific has continued to execute its divestment program in the first two months of 2005, which to date has returned \$60.5 million from an initial investment of \$2.5 million.

Mr Dart said there were a number of positives in the first half including:

- the acquisition of a further interest in award winning independent New York-based investment bank Global Markets Capital Group, to take its holding to 39 per cent;
- * an increased share in investment company Monteray Group Limited - which holds equity in innovative web-based superannuation administration application, GPen - to 40 per cent;
- maintaining its 20 per cent majority holding in biotechnology company, ChemGenex Pharmaceuticals; and
- assisting the growth opportunity of its 50 per cent interest in advanced powder coating solutions company, OEM Nutech.

"We expect that the second half of the year will deliver us continued strong results as our investments consolidate on their achievements and begin announcing significant developments," Mr Dart said.

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**CHARTER
PACIFIC**
Corporation Limited

APPENDIX 4D

Half Year Financial Report

31 December 2004

Revenues from ordinary activities	up	117.02%	to	\$13,458,646
Profit from ordinary activities after tax attributable to members	up	73.13%	to	\$7,119,553
Net profit for the period attributable to members	up	78.70%	to	\$7,348,573

No final dividend has been declared for the half year and no dividend was declared or paid for the previous year.

The net tangible asset (NTA) per security as at 31 December 2004 was \$0.57 (2003: \$0.25).

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CHARTER PACIFIC CORPORATION LIMITED & ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report of Charter Pacific Corporation Limited, being the company and its controlled entities, for the half year ended 31 December 2004 and the review report thereon.

Directors

The directors of the company at any time during or since the end of the half year are:

Name	Period of directorship
Mr Brian Victor Sprod Chairman	Director since 1988 - appointed Chairman 1988
Mr Kevin John Dart Managing Director	Director since 1988 - appointed Managing Director 1988
Mr Bryan Gerrard Dart	Director since 1988
Mr Stephen Edward Lonie	Director since 2002

Review of Operations

Charter Pacific Corporation's continued delivery on its strategy of building a diverse portfolio of investments has resulted in a strong half yearly performance, with underlying net profit before tax being \$10.03 million for the half year ending 31 December 2004.

The pre-tax profit - an increase of 144 per cent on the corresponding period in the previous year, where Charter Pacific posted a half year pre-tax profit of \$4.1 million - continues the company's path of delivering continued financial growth and delivers the company a half year post-tax profit of \$7.3 million (after outside equity interests).

The first half results were primarily the result of the company's continued strategic sell down of its equity in Metal Storm Limited, an investment which to date has netted the company a return of \$60.5 million from its initial investment of \$2.5 million.

The consolidated entity's operating result was adversely effected due to costs of approximately \$1 million expensed in respect to a transaction that did not proceed due to factors outside the control of the company. These costs are directly reflected in the consolidated entity's expense items - consulting fees, training expenses, other expenses and goodwill written off.

In the first half of the financial year, Charter Pacific:

- Acquired a further interest in award winning independent New York-based investment bank Global Markets Capital Group, to take its holding to 39 per cent;
- Grew its share of investment company Monterey Group Limited – which holds equity in innovative web-based superannuation administration application, GPen - to 40 per cent;
- Maintained its 20 per cent majority holding in biotechnology company, ChemGenex Pharmaceuticals; and
- Assisted the growth opportunity of its 50 per cent interest in advanced powder coating solutions company, OEM Nutech.

The first six months have also proved successful for Charter Pacific's investments, with each achieving encouraging results and realising a number of significant milestones. These include:

ChemGenex Pharmaceuticals

ChemGenex Pharmaceuticals has had a positive first half, with the two anti-cancer compounds progressing to Phase II clinical trials.

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

DIRECTORS' REPORT continued

The success of ChemGenex is continuing, with the receipt of a milestone payment of A\$720,000 for its depression target discovery program with Vernalis.

ChemGenex also raised \$8.2 million through a placement of ordinary shares.

During the first half of the financial year, ChemGenex announced its intent to file a registration statement with the SEC in the US in the first quarter of 2005, with the view to proceeding to a NASDAQ listing of its ADRs in the second quarter of 2005.

Global Markets Capital Group

Global Markets Capital Group continued to perform strongly, providing advisory services for a number of high profile mergers and acquisitions, stock and asset purchases, buy outs and restructures.

During 2004, the investment bank was involved in the largest takeover bid in the Australian healthcare sector, in which it advised Gribbles on Healthscope's \$285 million public takeover offer.

Global Markets recently received the Frost and Sullivan "Pharmaceuticals Buy-Side Middle Market M&A Advisor of the Year Award" for the merger of AGT Biosciences Limited and ChemGenex Therapeutics Inc to form ChemGenex Pharmaceuticals Limited.

Global Markets Capital has had a successful year as at 31 December 2004.

Monteray Group Limited

Monteray Group Limited's holding in GPen Pty Ltd has proved positive, with the web-based superannuation administration application making headway in the financial markets.

GPen offers a unique product to the superannuation industry by providing greater flexibility and choice of a complete range of pension or superannuation fund administration services enabling members to have greater investment choice with access over the internet.

Gpen is currently progressing negotiations to supply the technology to a number of leading superannuation companies.

OEM NuTech

OEM NuTech continued to improve its financial position through the commercialisation of new advanced powder coating solutions which it has exclusive rights to in the Australian market.

OEM NuTech has commissioned the first advanced powder coating system in the Southern Hemisphere at the Tullamarine premises of Australia's leading office furniture and fit out manufacturer, Schiavello Group Pty Ltd.

It has also entered into a contract to supply powder coating solutions to one of Australia's leading automotive component manufacturers and is making solid progress negotiating the supply of the advanced coating solutions to leaders in the building materials industry segment.

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

DIRECTORS' REPORT continued

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the half year ended 31 December 2004.

Dated at Gold Coast this 28th day of February 2005.

Signed in accordance with a resolution of the directors:



Kevin J Dart

:Directors



Bryan G Dart



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**LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF
THE CORPORATIONS ACTS 2001**

To the directors of Charter Pacific Corporation Limited:

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2004 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Stephen Board
Partner

Place: Bundall
Date: 28 February 2005

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

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

	Note	CONSOLIDATED	
		2004	2003
		\$	\$
Sales of inventory		12,453,945	277,180
Other revenues from ordinary activities		<u>1,004,701</u>	<u>5,924,417</u>
Total revenue		13,458,646	6,201,597
Depreciation and amortisation expenses		23,209	37,171
Other expenses from ordinary activities		314,982	340,611
Rent and occupancy costs		100,737	87,641
Consulting fees		761,260	(18,016)
Travel expenses		81,947	18,503
Shareholder reports and registry costs		101,171	64,309
Employee expenses		967,146	537,159
Carrying amounts of inventory sold		926,019	403,453
Legal costs in relation to disputes		14,108	15,054
Goodwill written off		349,272	-
Training expenses		232,260	-
Write down of inventory		(204,912)	-
Carrying amount of fixed assets sold		-	114,547
Share of net losses of associates accounted for using the equity method	6	<u>(241,559)</u>	<u>488,964</u>
Profit/(loss) from ordinary activities before related income tax expense		10,033,006	4,112,200
Income tax expense/(benefit) relating to ordinary activities		<u>2,913,453</u>	-
Net profit/(loss)		<u>7,119,553</u>	<u>4,112,200</u>
Net (profit)/loss attributable to outside equity interests		<u>229,020</u>	-
Net profit/(loss) attributable to members of the parent entity		<u>7,348,573</u>	<u>4,112,200</u>
Basic earnings/(loss) per share		\$ 0.107	\$ 0.060
Diluted earnings/(loss) per share		\$ 0.105	\$ 0.060

The statement of financial performance are to be read in conjunction with the notes to the half year financial statements set out on pages 9 to 15.

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004**

	NOTE	CONSOLIDATED	
		31-Dec-04	30-Jun-04
		\$	\$
CURRENT ASSETS			
Cash assets		37,427,142	34,382,621
Receivables		1,231,896	853,369
Inventories		<u>4,131,836</u>	<u>2,240,512</u>
Total current assets		<u>42,790,874</u>	<u>37,476,503</u>
NON-CURRENT ASSETS			
Investments accounted for using the equity method	6	10,432,151	8,201,045
Intangibles		-	349,272
Plant and equipment		<u>146,419</u>	<u>151,271</u>
Total non-current assets		<u>10,578,570</u>	<u>8,701,588</u>
Total assets		<u>53,369,444</u>	<u>46,178,091</u>
CURRENT LIABILITIES			
Current tax liabilities		11,308,782	8,395,329
Payables		430,210	266,795
Interest bearing liabilities		26,923	15,435
Provisions		<u>142,522</u>	<u>168,004</u>
Total current liabilities		<u>11,908,437</u>	<u>8,845,563</u>
NON-CURRENT LIABILITIES			
Payables		500,000	500,000
Interest bearing liabilities		-	22,211
Provisions		<u>811,357</u>	<u>755,942</u>
Total non-current liabilities		<u>1,311,357</u>	<u>1,278,153</u>
Total liabilities		<u>13,219,794</u>	<u>10,123,716</u>
NET ASSETS		<u>40,149,650</u>	<u>36,054,375</u>
EQUITY			
Contributed equity	3	21,263,692	24,152,902
Reserves	5	(135,068)	-
Accumulated profit/(losses)	4	<u>19,493,931</u>	<u>12,145,358</u>
Total parent entity interest		40,622,555	36,298,260
Outside equity interest		<u>(472,905)</u>	<u>(243,885)</u>
TOTAL EQUITY	5	<u>40,149,650</u>	<u>36,054,375</u>

The statement of financial position are to be read in conjunction with the notes to the half year financial statements set out on pages 9 to 15.

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

**STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

	CONSOLIDATED	
	2004	2003
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	10,610,576	292,032
Cash payments in the course of operations	(4,282,300)	(2,779,000)
Interest received	945,836	86,263
Net cash provided by/(used in) operating activities	<u>7,274,112</u>	<u>(2,400,705)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of plant and equipment	-	23,000
Payments for plant and equipment	(18,357)	(109,000)
Loans to other entities	(174,397)	(207,000)
Payments for investments	(1,119,613)	(150,000)
Proceeds from sale of equity investments	-	5,574,621
Net cash provided by/(used in) investing activities	<u>(1,312,367)</u>	<u>5,131,621</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from exercise of options	632,000	-
Capital return paid to shareholders	(3,521,210)	-
Lease payments	(28,014)	(15,000)
Net cash provided by/(used in) financing activities	<u>(2,917,224)</u>	<u>(15,000)</u>
Net increase/(decrease) in cash held	3,044,521	2,715,915
Cash at beginning of financial year	<u>34,382,621</u>	<u>2,584,345</u>
Cash at end of financial year	<u>37,427,142</u>	<u>5,300,259</u>

The statement of cash flows are to be read in conjunction with the notes to the half year financial statements set out on pages 9 to 15.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation of half year the financial report

The half year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half year financial report is to be read in conjunction with the 30 June 2004 Annual Financial Report and any public announcements by Charter Pacific Corporation Limited and its Controlled Entities during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2004 Annual Financial Report.

The half year report does not include full note disclosures of the type normally included in an annual financial report.

2. SEGMENT REPORTING

Statement of Operations of Segments

<u>Primary reporting</u> <u>Business segments</u>	INVESTMENTS		SHARE TRADING		CONSOLIDATED	
	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$
(a) Revenue						
External segment revenue	-	5,574,621	12,453,945	277,180	12,453,945	5,851,801
Inter-segment revenue	-	-	-	-	-	-
Total segment revenue	-	5,574,621	12,453,945	277,180	12,453,945	5,851,801
Other unallocated revenue					1,004,701	349,796
Total revenue					<u>13,458,646</u>	<u>6,201,597</u>
Segment result	-	5,339,111	10,802,605	94,680	10,802,605	5,433,791
Share of loss of equity accounted investments	241,559	(488,964)	-	-	241,559	(488,964)
Inventories/investments (write down) write up	-	-	-	15,000	-	15,000
Unallocated corporate expenses					(1,011,158)	(847,627)
Profit from ordinary activities before income tax					<u>10,033,006</u>	<u>4,112,200</u>
Income tax expense					(2,913,453)	-
Net profit					<u>7,119,553</u>	<u>4,112,200</u>

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

	CONSOLIDATED	
	31-Dec-04	30-Jun-04
	\$	\$
3. CONTRIBUTED EQUITY		
Issued and paid up share capital		
70,424,208 ordinary shares (June 2004:68,524,208 ordinary shares)	21,263,691	24,152,901
4 management shares (June 2004:4 management shares)	<u>1</u>	<u>1</u>
	<u>21,263,692</u>	<u>24,152,902</u>
Ordinary shares		
Balance at beginning of year	24,152,902	24,152,902
Shares issued		
- 1,900,000 (June 2004:nil) shares issued from the exercise of options	632,000	-
Return of capital	<u>(3,521,210)</u>	<u>-</u>
Balance at end of year	<u>21,263,692</u>	<u>24,152,902</u>

Return of capital

On 9 December 2004 the company completed a return of capital of \$0.05 per share on a total of 70,424,208 shares resulting in a total payment of \$3,521,210. The return of capital was approved by shareholders at the annual general meeting on 25 November 2004.

Options

On 19 July 2002 the company granted options over 1,000,000 unissued ordinary shares in the company exercisable at \$0.20 per share with the options expiring on 19 July 2007.

On 23 December 2003 the company granted options over 500,000 unissued ordinary shares in the company exercisable at \$0.20 per share with the options expiring on 23 December 2008.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

3. CONTRIBUTED EQUITY CONTINUED

Employee Option Plan

All employees of the company are eligible to receive options.

On 2 December 1999 the company granted options over 660,000 unissued ordinary shares in the company to five employees under the approved Employee Option Plan. These options are exercisable at any time up to the expiry date at a price of 38 cents per share. These options expired on 2 December 2004. The market price of shares at the date of issue was \$0.54. 400,000 of these options were exercised during the period.

On 30 October 2000 the company granted options over 650,000 unissued ordinary shares in the company to four employees under the approved Employee Option Plan. These options are exercisable at any time up to the expiry date at a price of 36 cents per share. These options expire on 30 October 2005. The market price of shares at the date of issue was \$0.84. 400,000 of these options were exercised during the period.

On 5 December 2001 the company granted options over 650,000 unissued ordinary shares in the company to four employees under the approved Employee Option Plan. These options are exercisable at any time up to the expiry date at a price of 35 cents per share. These options expire on 5 December 2006. The market price of shares at the date of issue was \$0.97. 400,000 of these options were exercised during the period.

On 27 November 2002 the company granted options over 800,000 unissued ordinary shares in the company to four employees under the approved Employee Option Plan. These options are exercisable at any time up to the expiry date at a price of 28 cents per share. These options expire on 27 November 2007. The market price of shares at the date of issue was \$0.44. 700,000 of these options were exercised during the period.

On 23 December 2003 the company granted options over 700,000 unissued ordinary shares in the company to four employees under the approved Employee Option Plan. These options are exercisable at any time up to the expiry date at a price of 28 cents per share. These options expire on 23 December 2008. The market price of shares at the date of issue was \$0.40.

3,210,000 ordinary shares have been issued under this plan and 1,300,000 options were still unexercised at balance date.

The company's Employee Option Plan was approved at the annual general meeting on 29 November 1994.

CONSOLIDATED	
31-Dec-04	30-Jun-04
\$	\$

4. RETAINED PROFITS

Retained profits/(losses) at beginning of year	12,145,358	(11,274,245)
Net profit/(loss) attributed to members of the parent entity	<u>7,348,573</u>	<u>23,419,603</u>
Retained profits/(losses) at end of year	<u><u>19,493,931</u></u>	<u><u>12,145,358</u></u>

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

CONSOLIDATED
31-Dec-04 30-Jun-04
\$ \$

5. TOTAL EQUITY RECONCILIATION

Total equity at beginning of year	36,054,375	12,878,657
Total changes in parent entity interest in equity recognised in statement of financial performance	7,348,573	23,419,603
Transactions with owners as owners:		
Return of capital	(3,521,210)	-
Contributions of equity	632,000	-
Movement in Foreign Currency Translation Reserve	(135,068)	-
Total changes in outside equity interest	<u>(229,020)</u>	<u>(243,884)</u>
Total equity at end of year	<u>40,149,650</u>	<u>36,054,375</u>

6. ASSOCIATES

Investments in Associates	Associated Company	Principal Activity	Balance Date	Ownership Interest		Investment Carrying Amount		Share of Net Losses (Profits)	
				CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED
				31/12/04	30/6/04	31/12/04	30/6/04	31/12/04	31/12/03
						\$'000	\$'000	\$'000	\$'000
GMCGLL	Investment Banking	31-Dec	38.75%	15.00%	2,363	-	(522)	-	-
DCR Global Limited ChemGenex	Technology	30-Jun	50.00%	50.00%	-	-	-	-	-
Pharmaceuticals Limited	Biotechnology	30-Jun	20.10%	22.60%	7,797	7,916	268	428	
OEM NuTech Pty Ltd	Powder Coating	30-Jun	50.00%	50.00%	<u>272</u>	<u>285</u>	<u>13</u>	<u>61</u>	
					<u>10,432</u>	<u>8,201</u>	<u>(242)</u>	<u>489</u>	

The amount of \$88,760 representing the share of DCR Global Ltd operating loss has not been recognised in the financial statements as it would have reduced the carrying amount of the investment below zero.

The company increased its holding in GMCGLL in the current half year period and commenced equity accounting.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

7. CONTINGENT LIABILITIES

Litigation

The company is party to legal action at balance date.

On 1 June 1994, the company commenced proceedings in the Supreme Court of Queensland against third parties, seeking the cancellation of certain options and damages in relation to alleged misrepresentations by the Defendants over the state of development of certain mobile modem technology, which induced the company to acquire Evtech Pty Ltd.

The Defendants lodged counterclaims for damages and misrepresentation against the company and two of its directors.

The action has concluded and judgement was delivered on 30 August 2002.

The third parties subsequently appealed to the Court of Appeal of the Supreme Court on two grounds. The Appeal was heard 12 May 2003. The Court of Appeal decision was handed down on 2 September 2003. Both grounds of Appeal were dismissed and the other parties ordered to pay costs to be assessed.

The third parties have subsequently applied to the High Court for Special Leave to appeal the above decisions and this has been set down for hearing on 10 March 2005.

Legal fees in relation to this matter have been expensed as they were incurred.

8. EVENT SUBSEQUENT TO REPORTING DATE

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

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

8. EVENTS SUBSEQUENT TO REPORTING DATE CONTINUED

International Financial Reporting Standards continued

The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

- financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value;
- income tax will be calculated based on the “balance sheet” approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity;
- intangible assets:
 - internally generated intangible assets (except development phase expenditure in certain circumstances) will not be recognised,
 - intangible assets can only be revalued if there is an active market;
- goodwill with an indefinite useful lives will be tested for impairment annually and will not be amortised;
- impairments of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired;
- equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services;
- changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

The Board is establishing a formal process to achieve transition to IFRS reporting, beginning with the half year ended 31 December 2005. The company’s implementation process consists of three phases as described below.

Assessment and planning phase

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase includes:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS;
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- evaluation of the implications for staff, for example training requirements;
- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The company considers the assessment and planning phase will be complete in most respects by 30 June 2005.

Design phase

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to IFRS. The design phase will incorporate:

- formulating revised accounting policies and procedures for compliance with IFRS requirements;
- identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of IFRS;
- developing revised IFRS disclosures;
- designing accounting and business processes to support IFRS reporting obligations;
- identifying and planning required changes to financial reporting and business source systems;
- developing training programs for staff.

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

8. EVENTS SUBSEQUENT TO REPORTING DATE CONTINUED

International Financial Reporting Standards continued

The company will commence its design phase in the third quarter of the financial year ending 30 June 2005. The design phase is expected to be completed during the upcoming financial year.

Implementation phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the company to generate the required disclosures of AASB1 as it progresses through its transition to IFRS.

The company has not yet commenced the implementation phase. However, the company expects this phase to be substantially complete by 30 June 2005.

CHARTER PACIFIC CORPORATION LIMITED

DIRECTORS' DECLARATION

In the opinion of the directors of Charter Pacific Corporation Limited ("the company"):

1. the financial statements and notes, set out on pages 6 to 15, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance, as represented by the results of its operations and cash flows, for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Gold Coast this 28th day of February 2005.

Signed in accordance with a resolution of the directors:



Kevin J Dart

:Directors



Bryan G Dart

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF
CHARTER PACIFIC CORPORATION LIMITED**

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration set out on pages 6 to 16 for the Charter Pacific Corporation Limited consolidated entity ("the Consolidated Entity"), for the half-year ended 31 December 2004. The Consolidated Entity comprises Charter Pacific Corporation Limited ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF
CHARTER PACIFIC CORPORATION LIMITED**

Statement

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

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

- b) other mandatory financial reporting requirements in Australia.



KPMG



Stephen Board
Partner

Place: Bundall

Date: 28 February 2005

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

PROFORMA STATEMENT OF FINANCIAL POSITION

To be read in conjunction with the attached notes.

	CONSOLIDATED	
	31-Dec-04	30-Jun-04
	\$	\$
CURRENT ASSETS		
Cash	38,452,281	36,947,340
Receivables	1,231,896	853,369
Inventories	<u>6,000,524</u>	<u>12,684,318</u>
Total current assets	<u>45,684,701</u>	<u>50,485,027</u>
NON-CURRENT ASSETS		
Receivables	-	-
Investments accounted for using the equity method	16,248,049	10,669,284
Goodwill	-	349,272
Plant and equipment	<u>146,419</u>	<u>151,271</u>
Total non-current assets	<u>16,394,467</u>	<u>11,169,827</u>
Total assets	<u>62,079,168</u>	<u>61,654,854</u>
CURRENT LIABILITIES		
Current tax liabilities	13,297,497	8,395,328
Payables	430,210	266,795
Interest bearing liabilities	26,923	15,435
Provisions	<u>142,522</u>	<u>3,281,291</u>
Total current liabilities	<u>13,897,152</u>	<u>11,958,849</u>
NON-CURRENT LIABILITIES		
Payables	500,000	500,000
Interest bearing liabilities	-	22,211
Provisions	<u>811,357</u>	<u>755,942</u>
Total non-current liabilities	<u>1,311,357</u>	<u>1,278,153</u>
Total liabilities	<u>15,208,509</u>	<u>13,237,002</u>
NET ASSETS	<u>46,870,659</u>	<u>48,417,852</u>
EQUITY		
Contributed equity	21,263,692	24,152,902
Reserves	6,585,941	12,363,476
Accumulated profit/(losses)	<u>19,493,931</u>	<u>12,145,358</u>
Total parent entity interest	47,343,564	48,661,736
Outside equity interest	<u>(472,905)</u>	<u>(243,884)</u>
TOTAL EQUITY	<u>46,870,659</u>	<u>48,417,852</u>

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

Notes to the Proforma Statement of Financial Position

1. The proforma statement of financial position has been included for illustrative purposes only and is not part of the financial statements for the half year ended 31 December 2004. The proforma statement of financial position is based on the statement of financial position of the consolidated entity as at 31 December 2004 and adjusted to reflect the market value of the Metal Storm Limited, ChemGenex Pharmaceuticals and Monteray Group investments at 22 February 2005.
2. The proforma statement of financial position has been prepared to provide an indication of the value of the consolidated entity's investments in Metal Storm Limited, ChemGenex Pharmaceuticals Limited, and Monteray Group based on the market price listed on the Australian Stock Exchange and NASDAQ as at 22 February 2005 being:

Metal Storm Limited	ADR price	\$4.06
ChemGenex Pharmaceuticals Limited	share price	\$0.63
ChemGenex Pharmaceuticals Limited	option price	\$0.20
Monteray Group	share price	\$0.009
Monteray Group	option price	\$0.004

3. The profit on the above shares has been reflected in an asset revaluation reserve.
4. A provision for the costs of realisation of the investments including income tax has been included in Current Liabilities.
5. The proforma statement of financial position has also been adjusted to reflect shares sold from these investments up to 22 February 2005.