

Market Update & Overview of Microlatch Opportunity



The proposed acquisition of Microlatch is subject to shareholder approval at a forthcoming Extraordinary General Meeting of Charter following the completion of several independent external reports currently being compiled.

The acquisition is also conditional upon Charter obtaining all necessary regulatory approvals and satisfying all requirements under the Corporations Act and the ASX Listing Rules (including all appropriate or necessary waivers) for the transaction, completion of a public offer to raise capital and the ASX confirming that it is satisfied that Charter has re-complied with Chapters 1 and 2 of the ASX Listing Rules.

Microlatch - Company Overview

Microlatch is a leader in the design, development and manufacture of mobile biometrics solutions. In particular, Microlatch offers wireless platforms within the access control security markets, smart home and encrypted communications. The key technology protected by its patents relates to biometrics being aligned with RF (Radio Frequency), NFC (Near Field Communication) and Bluetooth payment technology for secure access to mobile computing devices. These patents impact on a number of companies globally using biometrics today.

The Microlatch patent portfolio covers key inventions and includes 26 granted innovation patents, in various countries worldwide. The suite of patents covers;

- Access to mobile devices using a biometric signal which allows access by the owner of the device's biometric signal via fingerprint, voice, iris or facial recognition, and is contained and self-managed within the mobile device (i.e. the biometric signature cannot be exported from the device).
- The NFC near field transfer of secure data between the mobile device and the reader to allow certain digital transactions/instructions to be given and received securely by the owner of the device.

The technology is primarily designed for mobile devices such as smartphone, tablet, notebook, laptop, touchless payment platforms, automotive technologies, PC network access, one-time password generation, building access and many more across a wide range of businesses and industries.

The Microlatch technology overcomes the main challenge facing this emerging mobile payment market, being the security of payments within the current banking system and alternative payment platforms, as well as the secure access to all mobile digital devices globally.

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Inventor

Microlatch' Director and major shareholder, Christopher Burke, has a background in electrical engineering and has worked for major technology organisations, including RACAL and IBM. Chris founded Securicom P/L in the late 1980s, initially specialising in magnetic stripe software and hardware solutions for the banking industry. In 1995, Chris formed Banque Technology Systems Plc, originally a listed vehicle on the secondary London technology stock exchange and currently on the Australian Securities Exchange now MaxSec Group Limited. As BQT Solutions it introduced wireless smart cards to the security market with successful sales to BBC Television, Great Britain's MI5, SUN Microsystems, FBI and several government buildings globally. Based on Chris's knowledge of the payment card market and emerging security / identification systems, plus expertise in smart card technology, it was clear to Chris that this technology group represented the future for secure payment systems, access control and identification. Chris is an expert in the design and manufacture of products using biometric fingerprint technologies with applications in bank credit/debit card payments and access credential technologies.

More recently, since 2003, Chris has created and enhanced a patent portfolio that focuses on mobile biometrics technologies, which has become heavily biased within the global smartphone market. The creation of Microlatch P/L was taken to encompass the patent portfolio as well as manufacture specialised mobile security biometrics devices. The release of mobile phones with fingerprint and/or other biometrics identification technology has proven Chris's belief that the necessity for mobile security devices is correct, and the market has expanded significantly in recent years and will continue to accelerate in a variety of implementations. The main reason for this substantial growth is that no payment platform or building infrastructure requires changes if the user credential contains the security aspects in a stand-alone and self-managed process. Additionally, there is no need to send user biometrics data or change existing communication mediums, NFC, Bluetooth and RF being a few.

Chris Burke has had significant involvement with Technology IP and manufacturing for global markets over several decades and is considered an expert in his field and a forward thinker with inventive skills and a proven record. The intention is to utilise a public company structure to provide the impetus to maximise the commercial value of the patent portfolio following the uptake of biometrics into mobile devices such as smartphones, tablets, laptops and payment platforms globally with rapid growth continuing for the foreseeable future.

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Patent Portfolio

Microlatch has a portfolio of 26 patents across several patent families are managed by Spruson and Ferguson patent attorneys of Sydney. Venner Shipley patent attorneys in London manage the European registered “Remote Entry System” patent and McDonnell Boehnen Hulbert & Berghoff LLP based in Chicago manages the US registered patents. Microlatch continually updates and renews each patent in the portfolio as required to ensure they remain relevant with current and new technological developments in each market segment in which they apply.

Patents

Official No.	Title Case	Status	Country	Property Type
2008316289	A transmitter for transmitting a secure access signal	Registered	Australia	Patent
2014240323	A transmitter for transmitting a secure access signal	Registered	Australia	Patent
2009200408	Password generator	Registered	Australia	Patent
2004301168	Remote Entry System	Registered	Australia	Patent
2009201293	Remote entry system	Registered	Australia	Patent
2535434	Remote Entry System	Accepted	Canada	Patent
ZL201110037781.8	Remote Entry System	Registered	China	Patent
ZL200380103206.7	Solenoid operated latching strike	Registered	China	Patent
10107118.0	A transmitter for transmitting a secure access signal	App lodged: filing receipt rec'd	Hong Kong	Patent
03623/DELNP/10	A transmitter for transmitting a secure access signal	Exam requested	India	Patent
08800125.0	A transmitter for transmitting a secure access signal	Agent responding to exam report	Europe	Patent
1839273	Enhancing the response of biometric access systems	Registered	Europe	Patent
1661298	Remote Entry System	Registered	Europe	Patent
1839273	Enhancing the response of biometric access systems	Registered	France	Patent
602005018108.3	Enhancing the response of biometric access systems	Registered	Germany	Patent
EP1661298	Remote Entry System	Registered	UK, Belgium, France, Germany and Netherlands	Patent
1839273	Enhancing the response of biometric access systems	Registered	United Kingdom	Patent

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Patents (continued)

Official No.	Title Case	Status	Country	Property Type
14/308091	A transmitter for transmitting a secure access signal	Under examination	United States of America	Patent
15/213661	A transmitter for transmitting a secure access signal	New App Lodged	United States of America	Patent
8112278	Enhancing the response of biometric access systems	Registered	United States of America	Patent
8620039	Improving card device security using biometrics	Registered	United States of America	Patent
8458484	Password generator	Registered	United States of America	Patent
8266442	Remote Entry System	Registered	United States of America	Patent
9269208	Remote Entry System	Registered	United States of America	Patent
15/000818	Remote Entry System	Examiner's report received	United States of America	Patent
7472934	Solenoid Operated Latching Strike	Registered	United States of America	Patent

Patent Attorneys

- Venner Shipley LLP** based in London, Cambridge, Guildford & Munich - www.vennershipley.co.uk
- McDonnell Boehnen Hulbert & Berghoff LLP** based in Chicago - www.mbhb.com
- Spruson & Ferguson** based in Sydney, Singapore, Bangkok, Kuala Lumpur, Jakarta & Shanghai - www.spruson.com
- Shelston IP Pty Ltd** based in Australasia - www.shelstonip.com

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“Remote Entry System”

This is a stand-alone biometrics management, self-enrolment system on all mobile devices and involves enrolling a user into a biometric access platform using a succession of biometric placements within a mobile device.

Microlatch invented the ‘stand-alone’ biometrics platform. Previously biometrics systems required computers as the capture device and then distributed the user information via wired communications.

Before Microlatch, in 2003, there was no concept or prior-art for using the mobile device or mobile phone as a stand-alone, biometrics operable and self-managed unit. The Microlatch technology provides self-contained and self-managed security solutions now demanded by users of such mobile devices.

This patent relates to any mobile device or mobile phone, as they require the template management internally to allow access to the device by only the authorised user, plus adding and deleting other authorised users.



“A Transmitter For Transmitting A Secure Access Signal”

Adding NFC (Near Field Communication) technology inside any mobile or portable device will enable payment applications to be incorporated. The NFC technology is standard around the world and allows multiple devices, smartphones, tablets, and biometrics credentials, such as the Microlatch BIOFOB, to be used on the same payment platform.

The NFC technology is enabled and usable only after biometrics authentication. The NFC technology is only used for a very short period of time during the payment process. This solution reduces scamming and theft because a valid biometrics confirmation is required and the technology automatically turns OFF as soon as the application is completed.

Current security systems including building, automotive and transportation only identify the authorised card, or authorised remote device that is credentialed to gain access. These systems allow borrowing, theft and copying of non-biometrics devices by persons other than the authorised user. The Microlatch technology identifies the card user/owner/holder through fingerprint or other biometric verification solutions such as iris, voice, face, vein etc. authentication and prevents access by anyone other the authorised user.

This patent ensures that the credentialed owner is identified prior to operation and that the operation time is sufficient for the payment process, after which it will automatically be turned off and await the next user identification confirmation.

Scanning and copying the card or smartphone whilst held by the owner is not possible as the technology is asleep until enabled with a valid user biometrics confirmation.



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Revenue generation and commercialisation

A patent portfolio is a collection of patents owned by a single entity; the value of any one patent is dependant exclusively on its application. Hence there is no rule of thumb or one size fits all valuation methodology that can be accurately applied to determine the value of an individual patent. The value of any one patent can generally be seen as the level of importance to users of the patent and those dependent on the extent of its popular application.

Patent attorneys have reviewed the patent portfolio and identified 35 global entities who are marketing products and services that are impacted by one or more of the patents and are potential infringers who are best seen as potential licensees. These entities include smartphone manufacturers such as Apple Inc. and emerging technology giants from China including Huawei and Lenovo. Other entities include payment card platform providers such as Zwipe from Europe (www.zwipe.no), all of whom want to expand their sales volumes and require patent and IP strength to meet their objectives.

Additionally, these entities are viewing mobile payment systems as the next major global market growth area and Microlatch has several patents that would ensure a stronger patent protection position.

Charter has identified several ways to maximise the commercialisation of the patents. All future revenues are expected to be generated in US dollars.

One option to generate revenues is to approach the potential infringers of the patents and negotiate a license agreement for the use of the technology in their respective devices.



Another option is to approach the major participants in each industry sector and either license or sell the patent or patents to them so they will be in a position to recoup their costs from other industry users thereby regulating their market competitors and maintain market leadership within their industry sector.

An independent valuation of the “Remote Entry System” patent only, was recently undertaken by the UK firm, **Inngot Limited**. Charter’s objective was to determine a range of values for this particular patent family based on a set of commercial assumptions. The range of values arrived at are as follows;

- The total maximum licensing opportunity figure estimated at US\$313m down to US\$81.1m; and
- The maximum intangible asset purchase figure of US\$155m down to US\$55.8m.

A summary of the valuation report can be provided upon request and a copy of the full valuation report can also be provided upon request.

It should be noted that the Inngott valuation report has not examined or valued any of our other patent families, which we believe adds considerable value to the bottom line.

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Current customers and pipeline

As mentioned above independent experts have identified 35 leading global companies that are potential infringers of one or more of the patents in the portfolio and therefore are also potential licensees of one or more of the patents in the portfolio. There is significant upside to be generated from the commercialisation of the other patents in the portfolio; however, the most immediate opportunity to generate revenues is from the commercialisation of the “Remote Entry System” patent which has an application in the burgeoning smart phone and mobile payments markets globally.

Key strengths

The key strengths of the patent portfolio are that the portfolio of patents has been registered for many years since 2003 without any challenges. The patents are unique inventions with the main patent “Remote Entry System” having application in the growing mobile communications and payment transactions sector.

Growth strategy

The Company intends to grow each family of patents to encapsulate new advances in technology in growing markets and take advantage of the importance of performing secure data transfer on mobile devices across multiple platforms.

Privacy

The Company’s patent portfolio embraces the ideology of privacy and security of personal information and data through the operation of its Remote Entry System patent providing greater security of access to mobile computing devices and pay platform cards through unique biometric verification of the authorised user of each device and thereby greater security of information stored within the device.

About Charter Pacific

Charter Pacific is a diversified investment company – it is not a mining company although in the recent past it has had investments in the mining and resources sector.

Charter Pacific has since listing on ASX in 1989 invested in diverse and varied industry sectors including but not limited to the following;

- Security note and document printing development and marketing;
- Mobile telecommunications product development and marketing;
- Defence weapons systems technology development, IPO, ASX listing and NASDAQ listing;
- Media internet marketing software development;
- Biotech medical research in obesity, diabetes and cancer, patent development and marketing, NASDAQ listing;
- New York based investment bank;
- Financial services and funds management, internet based superannuation administration software platform, start-up and corporate restructures, mergers and acquisitions and funding;
- Agriculture - merchandising, livestock, agri-financing, broad-acre crop protection manufacture and marketing, ASX listing;
- Resources sector - iron ore, gold, platinum investments in Australia, West Africa and USA.