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CHARTER PACIFIC SIGNS SHARE PURCHASE AGREEMENT TO ACQUIRE 100% OF THE MICROLATCH GROUP

The Directors of Charter Pacific Corporation Limited (**Charter**) (ASX Code: CHF) are pleased to announce that Charter has executed a Share Purchase Agreement (**SPA**) to acquire 100% of the Microlatch Group (**Microlatch**) (the **Transaction**). Microlatch comprises Microlatch Pty Ltd ACN 059 640 747), Securicom (NSW) Pty Limited (ACN 053 874 089) and Microlatch Limited (a UK registered company with Company No 08625097).

PATENT HIGHLIGHTS AND COMMERCIALISATION

Patent Highlights

- **Microlatch has a patent portfolio of 26 registered patents globally focusing on biometrics security solutions.**
- **The patents impact the secure access to mobile computing devices such as smartphone, tablet, notebook, laptop and touchless payment platforms.**
- **Global focus is on providing secure access for mobile computing devices and touchless payment platforms.**
- **Microlatch's patent portfolio embraces the ideology of privacy and security of personal information and data.**
- **Microlatch patented technology keeps personal identification data quarantined within the mobile computing device therefore keeping their biometric signature out of the reach of hackers, who last year hacked into the Office of Personnel Management in the USA and compromised 5.6 million people's fingerprints.**
(www.wired.com/2016/03/biometricscomingalongserioussecurityconcerns/)
- **An independent valuation of the "Remote Entry System" patent only, was recently undertaken by UK firm Inngot Limited. Charter's objective was to determine a range of values for this particular patent 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.**

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.

External experts 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 Hua Wei and Lenovo, 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. 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, Innogot 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.

ABOUT MICROLATCH

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 mobile phone subscriber’s fear over the security of payments made using Near Field Communication (NFC) and Bluetooth. Microlatch advised that their technology offers the most secure and cost-effective mobile smartphone security protocol in the market today.

The Microlatch technology will benefit greatly from the global take up of secure digital payment platforms in all their different guises as well as the secure access to all mobile digital devices globally.

Patent Portfolio

Microlatch has a portfolio of 26 patents across several patent families of which 25 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.

“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 that future security requirements of users would demand self-contained and self-managed security solutions.

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.

KEY TRANSACTION TERMS

The key elements of the Transaction are as follows:

- (a) Charter will acquire all of the issued equity securities from Microlatch security holders. As consideration Charter will issue Charter shares, each with an issue price of \$0.02 to the value of \$21,000,000 as consideration (*Consideration Shares*). The Vendors include the inventor Mr Christopher Burke and investors, ex CBA CEO Mr David Murray and successful Sydney businessman Mr Michael Crouch. The Charter shares issued to the Vendors will be subject to ASX escrow provisions.
- (b) The purchase of a royalty entitlement for one of the patents in consideration for the issue by Charter of 10,000,000 Charter shares at an issue price of \$0.02 per share.

- (c) Charter will seek to undertake a capital raising of at least \$5,000,000 by way of a public offer at an issue price to be determined under a prospectus which will be issued in due course. The funds raised under the prospectus will assist with the expenses of the offer and provide working capital to fund ongoing operations and future growth of the combined Charter/Microlatch group.
- (d) Charter will issue shares to its creditors and lenders to convert existing debt to equity up to a value of \$5,800,000 at an issue price of \$0.02 per share.
- (e) Mr Peter Bradfield and Mr David Selfe will resign as directors of Charter. Mr Kevin Dart will remain as a director of the combined Charter/Microlatch group;
- (f) Nominees of Microlatch will be appointed as directors of the combined Charter/Microlatch group;
- (g) Charter will be required to re-comply with the ASX admission requirements in Chapters 1 and 2 of the ASX Listing Rules;
- (h) The name of Charter will be changed;
- (i) The two management shares currently on issue will convert to ordinary shares in Charter.

Conditions

The Transaction is conditional upon, amongst other things, the following conditions precedent being satisfied:

- (a) There is no material adverse change in the financial condition or operations of Microlatch, when compared with the financial condition or operations of Microlatch as at the date of the SPA.
- (b) There is no material adverse change in the financial condition or operations of Charter, when compared with the financial condition or operations of Charter as a whole as at the date of the SPA.
- (c) 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;
- (d) The Public Offer being completed.
- (e) ASX confirming that it is satisfied that Charter has re-complied with Chapters 1 and 2 of the ASX Listing Rules and that suspension of trading in shares in Charter will cease with effect from or before Completion.

General Meeting

A summary of the resolutions to be put to Charter shareholders at the General Meeting is as follows:

- (a) Approval of the Transaction for the purposes of ASX Listing Rule 11.1;
- (b) Approval of the issue of the Consideration Shares to the Microlatch shareholders, at an effective issue price of \$0.02 per Charter share;
- (c) Approval of the issue of up to \$5,000,000 worth of Charter shares pursuant to the public offer, each with an issue price to be determined;
- (d) Approval of a change of name of Charter; and
- (e) Approval of the appointment of nominees of Microlatch as directors of Charter.

The passing of each resolution is effectively conditional on the passing of all other resolutions. Full details of the Transaction, share issues, resolutions and the issue of shares to raise up to \$5,000,000 pursuant to a prospectus will be set out in a Notice of Meeting to be sent to all shareholders for their consideration and approval as well as being released to ASX in due course.

EFFECT ON CHARTER CAPITAL STRUCTURE

The following table shows the indicative impact the Transaction will have on Charter's share capital structure prior to the public offer being undertaken:

Share Capital transaction	Number of Shares	% of total
Total Charter Shares on issue	213,813,486	13.67%
Shares to be issued for conversion of debt to equity by current Charter shareholders	290,000,000	18.55%
Subtotal of shares held by existing shareholders following conversion of debt to equity	503,813,486	32.22%
Shares to be issued to Vendors security holders	1,050,000,000	67.14%
Purchase of patent royalty entitlement	10,000,000	0.64%
Total Charter Shares on completion of the Microlatch acquisition, change of activities (excluding the public offer raise of \$5,000,000)	1,563,813,486	100.00%

ADDITIONAL INFORMATION

For additional information about this announcement please contact Mr Kevin Dart on +61 7 5538 2558 or kjdart@charpac.com.au.

Yours faithfully



Kevin Dart
Executive Chairman