



CHARTER
PACIFIC

Corporation Limited

ASX: CHF

Annual General Meeting 2016



Charter Pacific Corporation Limited (**Charter**) (ASX Code: CHF) has executed a Share Purchase Agreement (**SPA**) to acquire 100% of the Microlatch Group (**Microlatch**).

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).





INTRODUCTION

- Microlatch is a group of companies that holds a patent portfolio that covers key inventions and includes 26 granted innovation patents, in various countries worldwide.
- The majority of the Microlatch patents are managed by Spruson and Ferguson patent attorneys of Sydney. Venner Shipley patent attorneys in London manage the European registered “Remote Entry System” patent. McDonnell Boehnen Hulbert & Berghoff LLP based in Chicago manage the US registered patents.
- Microlatch continually updates and renews each patent in the portfolio.
- Microlatch is a leader in the design and development of mobile biometric solutions.
- The key technology protected by patents relates to biometrics being used to provide secure access to mobile computing devices (smartphones, tablets, laptops etc.) and payment cards (debit and credit cards etc.).
- The Microlatch patents impact on a number of companies globally whose products use biometrics with their mobile computing and payment platform devices.



PATENT PORTFOLIO

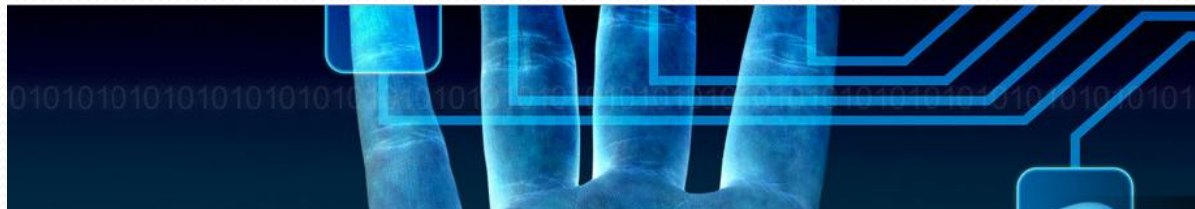
Official No.	Title Case	Status	Country	Property Type
2008316289	A transmitter for transmitting a secure access signal	Registered	Australia	Patent
2014240323	A transmitter for transmitting a secure access signal	Registered	Australia	Patent
2009200408	Password generator	Registered	Australia	Patent
2004301168	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
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 COVERAGE



THE KEY TECHNOLOGY “REMOTE ENTRY SYSTEM” (ENROLMENT PATENT)

- Enrolment is a pre-requisite for using a biometrics security system on a mobile or portable computing device.
- Enrolment is achieved in a step by step process to create a unique signature or template of the user. The signature is then stored in a secure memory. The signature is used as the authentication of the user’s actual biometrics input. Enrolment is a mandatory process whenever biometrics is used as a security aspect.
- Mobile computing devices include smartphones, smartcards, personal credentials for access to buildings, online access to websites or banking sites in the form of One Time Password generators. Additionally, laptops or mobile applications that use voice, facial and/or iris recognition, and payments gateways.





THE KEY TECHNOLOGY “REMOTE ENTRY SYSTEM” CONTINUED (ENROLMENT PATENT)

- The enrolment patent is registered globally in countries such as Australia, United States, China, Canada, United Kingdom, Germany, France, Holland, Belgium.
- This patent is a self-contained, self-managed and self-enrolment system on mobile devices and payment platforms providing a secure biometric access.
- Microlatch invented the ‘stand-alone’ biometrics platform which cannot be hacked and data cannot be exported from the mobile device.
- The enrolment patent predates the first release of finger print enabled smart phones.
- An independent valuation of this patent, was recently undertaken by UK specialist valuation firm Inngot Limited 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; &
 - The maximum intangible asset purchase figure of US\$155m down to US\$55.8m.
- Los Angeles based independent patent attorneys, Ladas & Parry LLC, have also been commissioned to undertake a US valuation analysis of this patent.

EXAMPLES OF USE

Secure biometric access to mobile computing devices and payment cards:

- The technology allows for the enrolment of one or more authorised users for each mobile computing device or payment card to provide secure access and full traceability of each and every data transaction that is transacted by the device.
- Your smartphone is now the key to your home, car, banking and a host of other personal data and it is imperative that it does not become compromised by unauthorised access.
- The technology allows for the use of any biometric signature from the authorised user of the device via fingerprint, voice, iris, facial recognition, etc. and is contained and self-managed within the mobile device (i.e. the biometric signature cannot be exported from the device).
- The technology impacts upon the 35 fingerprint reader enabled smartphones such as Apple, Samsung, Google, Huawei, LG, Microsoft, Sony etc..
- The technology impacts upon payment cards (debit and credit) that are currently being rolled out by banks and card providers globally, such as Zwipe in Norway.



Independent patent experts have identified 35 global entities who are marketing products and services that are impacted by one or more of the Microlatch patents and are potential infringers who are best seen as potential licensees.

THE TECHNOLOGY

- There is a global focus on providing secure access for mobile computing devices and touchless payment platforms such as Apple Pay, Samsung Pay, etc.
- On 11 November 2016, Singles' Day, which is China's biggest shopping day, Alibaba closed the day with US\$17.79 billion in total on-line sales.

What's particularly interesting about these sales is the high volume of money being spent on mobile phone transactions. As of 1pm China time, mobile transactions represented 84 percent of all Alibaba sales.





CARD PROTECTION

- Banks and retailers are using contactless cards to make payments easier and quicker for their users, however there are major security hurdles in protecting users' financial details from swindlers.
- In Europe there are now 500 million citizens who use and rely on contactless cards to approve transactions up to a certain dollar value with a simple swipe against a wireless payment reader using NFC wireless technology that has raised some security concerns.
- The use of mobile wallets like Apple Pay and Samsung Pay, which wirelessly send transaction data from a smartphone to a payment reader, is also growing.
- Annual shipments of contactless cards in the US are expected to rise to 330 million units, or 55% of all new credit and debit cards, by the end of the decade, up from 25 million units in 2015 according to ABI Research.
- In Europe, yearly shipments of contactless cards are projected to reach 420 million, or 75% of all new cards by 2020, up from 205 million in 2015.
- In Britain more than 1 billion contactless card transactions were processed in 2015.
- The expected accelerating growth of contactless cards, particularly in the US, has raised concerns that fraud levels will also soar as more people rely on the new technology.



CARD PROTECTION CONTINUED

- The Zwipe and MasterCard biometric contactless payment cards with fingerprint sensor uses its integrated fingerprint scanner to identify who you are when you use your card.
- This essential cardholder information is stored directly on the chip card itself.
- To make a purchase, the user activates the Zwipe card with a fingerprint scan. The card can then be used to make contactless payments.
- The contactless card is also compatible with standard chip and PIN machines.
- Identity crime is costing Australia more than \$2 billion a year, with driver's licences and Medicare cards the most likely to be used.
- The latest identity Crime and Misuse in Australia report, released by Justice Minister Michael Keenan in November 2016, shows a further \$390 million is spent annually on top of the \$2.2 billion figure - preventing and responding to the problem.
- Secure biometric access for driver's licences and Medicare cards will greatly reduce this cost.

ALTERNATIVE MARKETS FOR MOBILE PHONES & CREDENTIALS

The patent portfolio has applications in other market areas outside of mobile computing and payment platforms:

- Wireless platforms within the access control security markets, smart home and encrypted communications.
- Access control security markets, encrypted communications, building access, automotive access, secure data base access, security of personal information for all types of users.
- Biometrics as 'emotion' determinations, as used in Apps, is showing promise as another unique and significant market.



“A TRANSMITTER FOR TRANSMITTING A SECURE SIGNAL”

- This patent has applications in the payment platform market for payment cards transactions globally.
- This is a very large ‘value sector’ with a user acceptance rate now driving the technology as demonstrated with the rollout of the Zwipe card.
- Biometrics will be the main security component for smartphone and secure credential / smartcard payments.
- In EVERY instance, the enrolment will need to be performed to activate access by the authorised user signal or biometric template quarantined within the device/card memory.



“PASSWORD GENERATOR”



- Password generator applications for current banking operations add little cost for banks to dramatically increase security of access to client's information.
- User credential and biometrics will be essential and integral for mobile access to banking details.
- Also web based online facial recognition options are being effectively used today and will be tools that are used independently or in combination with password generator.
- When biometrics are used in combination, the term is multi-modal and many companies, including Apple Inc, are working forcefully in this area.
- The reality is that biometrics will become the main component for security in the fight for protecting people's wealth, buildings, payment systems, emotive systems, common everyday keys/remotes and preventing online crimes.



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