



ASX ANNOUNCEMENT

ASX:YPB | 28 January 2022

QUARTERLY ACTIVITIES REPORT – Q4 2021

Q4 2021 cements foundation for accelerated progress in 2022

- **Cash receipts stable and controllable costs tightly managed**
- **MotifMicro trials and partnerships advanced despite ongoing COVID headwinds**
- **Comprehensive patent grants enhance competitive position**
- **Company debt free with convertible notes repaid at maturity**

Anti-counterfeit and consumer engagement solutions provider **YPB Group Limited (ASX: YPB)** presents highlights of activities for the quarter ended 31 December 2021 (Q4 2021).

The key achievements in Q4 2021 position YPB for accelerated progress in 2022:

- Paid trials in Australia and SE Asia for MotifMicro1, YPB's revolutionary forensic smartphone authentication technology, may lead to commercial outcomes with two powerful channel partners upon successful conclusion of the trials;
- YPB's partnership with global standards giant BSI's Singapore office to showcase solely YPB's product suite at BSI's Innovation Lab opening has the potential to create valuable new relationships and significant new business momentum; and
- Smartphone as-an-authentication-tool patent grants in both USA and China elevate YPB's industry profile and create powerful competitive walls around a potentially unbounded market.

Cash performance in Q4 2021 was pleasing in the light of continuing COVID constraints on both customer orders and the pace and scale of new business development.

Moderate increase in cash consumption due to non-controllable costs

Q4 2021 saw operating cash consumption increase 23% on the preceding quarter. Cash receipts were steady but cash operating costs rose 17%.

The steady receipts outcome was pleasing given COVID noticeably hurt repeat business from key China customers. Had China been at more normal order levels, receipts would have grown strongly. It is worth noting that customer diversification and repeat business developed in the past year has created a more stable, sustainable base from which to grow revenues.

Operating cash costs rose in Q4 but the increase is expected to be temporary. The biggest increase was in Administration and Corporate costs due to scheduled royalties to MIT for MotifMicro global rights, and a range of advisory fees. R&D also increased, driven by accelerated customer-led modifications to YPB products, as did marketing, with increased online outbound campaigns.

Offsetting these were lower staff costs and lower leasing costs due to further efficiency drives in Thailand. Cost control remains tight and a key focus.



Patent grants highly valuable

In Q4 2021, two smartphone-driven-authentication patents were granted to YPB, one in USA and one in China (ASX 5/10/21 and 17/12/21 respectively). They both broadly relate to use of a marker and smartphone to confirm the authenticity of a marked product.

These are very significant pieces of protected intellectual property held by YPB. As previously noted by Executive Chairman John Houston – these patent grants:

*confirm to shareholders the uniqueness of YPB's ground-breaking lead in smartphone-based anti-counterfeit technologies. **Smartphones are likely the only practical avenue for making forensic anti-counterfeit protection deployable in mass consumer markets. Obviously, the scale of this opportunity is vast and more than underwrites the carrying value of our key balance sheet asset MotifMicro.***

YPB now has very broad IP protection across possible smartphone-based anti-counterfeit technologies with coverage of Phosphor, PLUS any smartphone readable technology using 2 or more materials in the UV and /or IR spectrums. From our extensive knowledge of these technologies around the world, we now have the widest IP protection that we could have hoped for.

Paid commercial trials for MotifMicro1 with potentially high value partners

Two paid MotifMicro1 trials launched in Q4 2021. The first, with Opal, ANZ's largest producer of recyclable cardboard packaging (ASX: 08/09/2021; and the second, with major Malaysian printer Holographic (ASX: 07/10/2021) whose interest lies in the potential relevance of MM1 to its ultra-high-volume Government clients.

As noted previously, paid trials of new products are rare but both demonstrate the potential the trial partners see in MotifMicro. Both trials have been slowed by COVID but both are progressing well.

Partnering with global standards giant BSI

As announced, (ASX 13/12/21) YPB signed an MOU with the Singapore office of global standards giant BSI. Under that agreement, YPB developed white-label versions of its full anti-counterfeit and consumer engagement product suite for sole showcasing by BSI at the opening of its SE Asian Innovation Lab.

The intention of the MOU was to demonstrate to BSI's high-end clients the potential value of YPB's anti-counterfeit, product authenticity and consumer engagement solutions. Effectively, this will be a solution validation and proof-of-concept trial and market test.

New customers added in China and Australia

Also secured in the quarter (ASX 17/10/21) was a three-year take or pay supply contract with a minimum value of A\$181,000 (RMB870,000) with Shenzhen-based electronic cigarette and vapouriser technology manufacturer Kingtons Technology Co Ltd (www.kingtons.net) ("Kingtons").

This contract marked the expansion by YPB into a major, rapidly growing market segment where counterfeit is rife, extremely costly and its consequences potentially fatal. YPB had previously supplied over 200,000 anti-counterfeit labels to Kingtons since 2020. This new contract applies YPB tracer directly into Kingtons' hardware to provide the highest level of anti-counterfeit protection. The addressable market in anti-counterfeit solutions for e-cigarette manufacturers for YPB is embryonic but significant and this application is revolutionary to this industry.



A further customer was also added in the Australian dairy export sector. A 3-year Master Service Agreement (MSA) was signed with Australian Dairy Nutritionals Group (ASX: AHF) to supply CONNECT and serialised QR codes.

Convertible note retired; company is debt free

Convertible notes of \$1.45m face value plus accrued interest were fully repaid upon maturity in November 2021. The company is now, and intends to remain, debt free.

Corporate

As at 31 December 2021, the Company held \$0.531m in cash and cash equivalents, down from \$0.611m as at 30 September 2021.

During the quarter the Company made payments of \$48,253 to related parties and associates being payments under the CEO/Chairman's remuneration agreement with the Company.

YPB Executive Chairman, John Houston said: *"While frustrated with the ongoing hobbling of our progress by COVID, Q4 2021 laid very important foundations for accelerated progress toward profitability.*

Our financial performance was acceptable given COVID hits in all geographies. Flat cash receipts, when numerous customers' businesses suffered weak demand due to COVID, was commendable and demonstrates the greater recurrence, reliability and diversification of our revenue streams. Even though cash costs rose, that rise is expected to be temporary, and costs remain tightly controlled.

Winning and launching paid MotifMicro trials in the quarter, with potentially high value partners, was the culmination of years of work and offers an exciting hint of the value we expect to create with our partners in future.

The patent grants in both the USA and China, the conclusion of an eight-year journey, position us powerfully to limit or license the most practical forms of smartphone-driven product authentication for the potentially enormous mass consumer markets.

While still at the mercy of COVID forces, particularly in China where strict lockdowns have escalated, the achievements of Q4 2021 position us for strong advances in 2022."

This announcement has been authorised by the Board of YPB Group Limited.

Ends.

For further information please contact:

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About YPB Group

YPB Group Limited (ASX:YPB) is an Australia-based product authentication and consumer engagement solutions provider. YPB's proprietary smartphone enabled technology suite



allows consumers to confirm product authenticity and, for brands, that triggers consumers' engagement.

The combination of YPB's smartphone authentication solutions and its SaaS Connect platform, creates 'smart' product packaging, opening cost-effective, digital and direct marketing channels between brands and their consumers. Connect gathers actionable data on consumer preferences. It can then host tailored marketing campaigns directly back to the scanning smartphone.

YPB is currently focused on the rapidly growing Australian, South East Asian, and Chinese markets. Its focus is dairy, cannabis, alcohol and cosmetics where the viral growth of fake products, particularly in Asia, affects brand value and endangers consumers. To learn more please visit: ypbsystems.com

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

YPB Group Ltd

ABN

68 108 649 421

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	203	726
1.2	Payments for		
	(a) research and development	(47)	(204)
	(b) product manufacturing and operating costs	(8)	(17)
	(c) advertising and marketing	(37)	(146)
	(d) leased assets	(42)	(206)
	(e) staff costs	(468)	(1,963)
	(f) administration and corporate costs	(402)	(1,228)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
1.5	Interest and other costs of finance paid	(199)	(340)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	3
1.8	Return of deposits from office rentals	42	42
1.9	Concession and rebates from financial support measures	3	5
1.10	Other (GST/VAT refund)	2	54
1.11	Net cash from / (used in) operating activities	(953)	(3,273)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2)	(12)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	14
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Deposit into an escrow account	-	(70)
2.6	Net cash from / (used in) investing activities	(2)	(68)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,000	3,750
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	750
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(213)	(269)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(1,450)	(1,450)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
3.9	Other (Corporate Advisory, Research, investor relations, etc.)	(457)	(457)
3.10	Net cash from / (used in) financing activities	880	2,324

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	611	1,559
4.2	Net cash from / (used in) operating activities (item 1.11 above)	(953)	(3,273)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(68)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	880	2,324
4.5	Effect of movement in exchange rates on cash held	(5)	(11)
4.6	Cash and cash equivalents at end of period	531	531

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	531	611
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	531	611

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	48
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	N/A		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.11)	(865)
8.2	Cash and cash equivalents at quarter end (item 4.6)	531
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	531
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: Yes – Present or improved cash flows are expected	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes, YPB is prepared to raise funds if and when necessary. The Company has obtained shareholder approval at the EGM in December 2021 to issue up to \$4 million of Company securities the proceeds of which are expected to allow the advancement of the Company's activities. This approval to issue new equity will be used as necessary to fund the business. YPB has an existing mandate with a Sydney based AFSL holder who has successfully raised capital for the Company previously. The Company will update the market in this respect and in accordance with its continuous disclosure obligations as necessary.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, in view of the answer to 8.6.2.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 January 2022

Authorised by: by the board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: *Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g., Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate*

Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.