

11 February 2021

Belinda Giles
ASX Listings Compliance (Perth)
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

By email

Dear Ms Giles,

Response to ASX Query Letter

YPB Group Limited (ASX:YPB) (YPB or the **Company**) refers to your letter dated 8 February 2021 (**Letter**). Set out below are the Company's responses against each query in the Letter.

B. YPB's letter to ASX dated 25 January 2021 in response to ASX's query letter dated 19 January 2021, released on MAP on 27 January 2021, which disclosed at point 8 that:

"The agreement [being the Legitifli Master Services Agreement] includes the following key termination provisions:

- ***Either party may terminate this Agreement with immediate effect by giving written notice to the other if:***

a) the other party commits a material breach of any term of the Agreement and the breach is not remediable;

b) the licensee is unable to achieve commercial success with the launch of the treated product within the first year provided that it is not related to the performance of, or caused by, the YPB's products;

c) the other party commits a material breach of any term of the Agreement and (if such a breach is remediable) fails to remedy that breach within 30 days after being notified in writing to do so; or

d) an adverse event happens to the other party.

1. Please clarify the meaning of the phrases 'commercial success', 'treated product' and 'YPB's products' in the context of the termination provision referred to in point B above?

The term:

- (a) "Treated Product" means for an authorised product that:
 - a. the product has been treated with a tracer by the licensee; or

b. a label, which has been treated with a tracer, has been applied to the product, by the licensee, in accordance with this agreement.

(b) "YPB Products" means any chemical tracer, labels or marks incorporating a chemical tracer or scanning devices provided by YPB under the agreement.

(c) "commercial success" is not a defined term in the agreement. The discussions between the parties at the time this clause was being considered related to the launch of products by Wireless Applications Pty Ltd's (WAPL) Legitifli business in its stores, acceptance of these products by end consumers and considerations of whether any superior products are launched in the market which may significant impact on the success of the Legitifli business in the first year.

2. If:

2.1. Legitifli fails to achieve 'commercial success' with the launch of the treated product under the Legitifli Master Services Agreement within the first year for a reason that is not related to the performance of, or caused by, YPB's products; and

2.2. Legitifli terminates the Legitifli Master Services Agreement with immediate effect by written notice to YPB,

will Legitifli be obliged to pay to YPB the balance of the Minimum Contract Value remaining at the time of termination?

If the agreement is terminated in accordance with this clause due to a failure to achieve commercial success after the first year of the agreement, the obligations of the parties cease and Legitifli is not required to place orders or pay to YPB any balance of the remaining term of the agreement and Minimum Contract Value.

3. Please confirm that YPB is complying with the Listing Rules and, in particular, Listing Rule 3.1.

YPB confirms that it is in compliance with the Listing Rules, in particular Listing Rule 3.1.

4. Please confirm that YPB's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of YPB with delegated authority from the board to respond to ASX on disclosure matters.

YPB confirms that the response in this letter has been authorised by the Board.

Regards,

Sebastian Andre
Company Secretary
YPB Group Limited



8 February 2021

Reference: 29541

Mr Sebastian Andre
Company Secretary
YPB Group Limited

By email

Dear Mr Andre

YPB Group Limited ('YPB'): Query Letter

ASX refers to the following:

- A. YPB's announcement titled "First Monetisation of MotifMicro with A\$1m MSA secured" released on the ASX Market Announcements Platform ('MAP') on 14 January 2021, which disclosed information including, but not limited to, the following:
- (i) YPB has entered into a master services agreement with Legitifli for an initial term of five years, pursuant to which Legitifli will have exclusivity to promote and sell YPB's product authentication and consumer engagement solutions in its target reseller segment in USA, Canada and Australia ('Legitifli Master Services Agreement'); and
 - (ii) the Legitifli Master Services Agreement stipulates a minimum contract value to YPB of just over \$1m during the five year term via progressive annual increases in minimum order quantities. To maintain exclusivity during the initial term, the licensee must order YPB product to the GST included value of \$33,000 in year one, \$115,000 in the second year, \$165,000 in the third year, \$264,000 in the fourth year and \$528,000 in the fifth year ('Minimum Contract Value').
- B. YPB's letter to ASX dated 25 January 2021 in response to ASX's query letter dated 19 January 2021, released on MAP on 27 January 2021, which disclosed at point 8 that:
- "The agreement [being the Legitifli Master Services Agreement] includes the following key termination provisions:
- Either party may terminate this Agreement with immediate effect by giving written notice to the other if:
 - a) the other party commits a material breach of any term of the Agreement and the breach is not remediable;
 - b) the licensee is unable to achieve commercial success with the launch of the treated product within the first year provided that it is not related to the performance of, or caused by, the YPB's products;
 - c) the other party commits a material breach of any term of the Agreement and (if such a breach is remediable) fails to remedy that breach within 30 days after being notified in writing to do so; or
 - d) an adverse event happens to the other party.
- C. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

In addition to the matters set out above, ASX understands that the term 'licensee' in point B above refers to Wireless Applications Pty Ltd trading as Legitifli ('Legitifli').

Request for information

Having regard to the above, ASX asks YPB to respond separately to each of the following questions and requests for information:

1. Please clarify the meaning of the phrases 'commercial success', 'treated product' and 'YPB's products' in the context of the termination provision referred to in point B above?
2. If:
 - 2.1 Legitifli fails to achieve 'commercial success' with the launch of the treated product under the Legitifli Master Services Agreement within the first year for a reason that is not related to the performance of, or caused by, YPB's products; and
 - 2.2 Legitifli terminates the Legitifli Master Services Agreement with immediate effect by written notice to YPB,

will Legitifli be obliged to pay to YPB the balance of the Minimum Contract Value remaining at the time of termination?
3. Please confirm that YPB is complying with the Listing Rules and, in particular, Listing Rule 3.1.
4. Please confirm that YPB's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of YPB with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **3:00 PM AWST Thursday, 11 February 2021**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, YPB's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require YPB to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to YPB's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that YPB's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours faithfully

Belinda Giles

Adviser, Listings Compliance (Perth)