

ASX ANNOUNCEMENT

ASX: YPB | 28 March 2022

YPB to raise \$1,500,000

Anti-counterfeit and consumer engagement solutions provider **YPB Group Limited (ASX: YPB)** (**YPB** or the **Company**) is pleased to advise that it has received commitments to raise \$1,500,000 from professional and sophisticated investors (**Investors**) whereby Company will issue, and the Investors will subscribe for, an aggregate of 1,500,000 convertible notes (**Convertible Notes**), together with 52,500,000 free attaching options each with an exercise price equal to a 40% premium of the 14 trading day VWAP of the Shares immediately prior to the date of issue and expiring two years from the date of grant (**Investor Options**) (on the basis of thirty-five free Options for every one Convertible Note, on a post consolidation basis) to raise approximately \$1,500,000 (before costs) (**Convertible Note Raising**). The terms and conditions of the Convertible Notes are summarised in Schedule 1.

The issue of the Shares on conversion of the Convertible Notes and the issue of the Options is subject to shareholder approval. Quotation of the Options is subject to the Options meeting the requirements for quotation of additional securities pursuant to Listing Rule 2.5. None of the Company's existing Listing Rule 7.1 and 7.1A capacity will be utilised as the convertibility of the Notes as well as the issue of the Options is subject to shareholder approval.

The Convertible Note agreements contain additional provisions such as representations and warranties considered standard for agreements of this nature.

EverBlu Corporate Capital Pty Ltd (**EverBlu**) acted as lead manager to the Convertible Note Raising. A summary of the mandate with EverBlu is described below. Subject to market conditions and in consultation with EverBlu, the Company may also consider raising up to an additional \$1,500,000 through Convertible Notes.

The Company also intends to undertake a 25 to 1 consolidation of its Shares, subject to shareholder approval (**Consolidation**).

1. Indicative Timetable

The indicative timetable for the Convertible Note Raising and Consolidation is detailed below:

Event	Date
Convertible Note Raising Funds Received	Wednesday, 30 March 2022
Notice of Meeting Despatched	Monday, 11 April 2022
Meeting Date	Tuesday, 10 May 2022

Notification to ASX of results of Meeting	Tuesday, 10 May 2022
Consolidation Effective Date	Tuesday, 10 May 2022
Last day for trading in Securities on a pre-Consolidation basis	Wednesday, 11 May 2022
Trading in post-Consolidation Securities commences on a deferred settlement basis	Thursday, 12 May 2022
Record date for Consolidation	Friday, 13 May 2022
Last day to register transfers on a pre-Consolidation basis	
First day for the Company to update its register and to send holding statements to security holders reflecting the change in the number of securities they hold	Monday, 16 May 2022
Issue Date.	
Deferred settlement trading ends / normal (T+2) trading resumes on next trading day	Friday, 20 May 2022
Prospectus issued for Investor Options and Advisor Options	Friday, 20 May 2022
Issue Investor Options, Advisor Options and Advisor Shares	Friday, 20 May 2022
Conversion of Convertible Notes and Shares issued to Convertible Note holders	Tuesday, 7 June 2022

The above timetable is indicative only and remains subject to change at the Company's discretion, subject to compliance with applicable laws and the Listing Rules.

2. Use of Funds

The indicative use of funds of the Company from funds raised under the Convertible Note Raising is set out in the following table:

Use of Funds	A\$	%
Technical development of MotifMicro including: <ul style="list-style-type: none"> ▪ Development of the mobile application ▪ Improvements to the algorithms and AI processing ▪ Development of serialised particles 	\$180,000 \$120,000 \$105,000	12% 8% 7%
Marketing and business development of products including: <ul style="list-style-type: none"> ▪ Online marketing campaigns, outreach and joining industry publishers 	\$165,000	11%

▪ Development of marketing materials, articles and videos	\$195,000	13%
▪ Attending industry exhibitions and events	\$45,000	3%
Working Capital including:		
▪ Purchase of equipment and materials	\$45,000	3%
▪ General overheads	\$525,000	35%
Costs of the Convertible Note Raising comprising:		
▪ Capital raising fee to EverBlu Capital	\$90,000	6%
▪ Other professional fees	\$30,000	2%
TOTAL	\$1,500,000	100%

3. Dilution

The following tables show the potential dilution effect on shareholders of the maximum number of Shares that may be issued upon conversion of the Convertible Notes, Investor Options and Adviser Options on both a pre and post Consolidation basis:

Pre-Consolidation

Assuming the number of Shares on issue at the time of conversion is 6,117,833,701 and no other shares are issued prior to conversion¹.

Conversion Price	Number of Shares issued on conversion of Convertible Notes	Dilution to Shareholders	Number of Shares issued on conversion of Convertible Notes, issue of Adviser Shares and exercise of Investor Options and Adviser Options	Dilution to Shareholders
\$0.0005	3,000,000,000	32.90%	11,787,833,701	48.10%
\$0.0020	750,000,000	10.92%	9,537,833,701	35.86%

¹ This excludes the accrued interest on the Convertible Notes which will also convert into shares post-shareholder approval.

Post-Consolidation

Assuming the number of Shares on issue at the time of conversion is 244,713,348 and no other shares are issued prior to conversion².

Conversion Price	Number of Shares issued on conversion of Convertible Notes	Dilution to Shareholders	Number of Shares issued on conversion of Convertible Notes, issue of Adviser Shares and exercise of Investor Options and Adviser Options	Dilution to Shareholders
\$0.0125	120,000,000	32.90%	471,513,348	48.10%
\$0.0500	30,000,000	10.92%	381,513,348	35.86%

4. EverBlu Mandate

EverBlu acted as lead manager to the Convertible Note Raising pursuant to an ongoing corporate mandate (**Mandate**). Pursuant to the Mandate, EverBlu received a fee of \$90,000 (6% of the total amount raised under the Convertible Note Raising).

Subject to shareholder approval, the Company has also agreed to issue 1,800,000 Shares (**Adviser Shares**) and 52,500,000 options (**Adviser Options**) (post Consolidation) each with an exercise price equal to a 40% premium of the 14 trading day VWAP of the Shares immediately prior to the date of issue and expiring two years from the date of grant. Assuming a subscription price of \$0.05 (on a post Consolidation basis) the value of the Adviser Shares is \$90,000 and the value of the Adviser Options is \$312,000³.

The Adviser Options will be issued on the same terms as the Investor Options and quotation of the Adviser Options is subject to the Adviser Options meeting the requirements for quotation of additional securities pursuant to Listing Rule 2.5.

The Mandate is for an 18 month term and relates to the ongoing corporate advisory and capital raising services for the term of the Mandate. EverBlu is also entitled to a A\$15,000 per month services fee for the term of the Mandate in addition to the 6% of the gross amount for any future capital raisings. The Mandate may be terminated at any time by EverBlu.

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

For further information please contact:

YPB investor enquiries
investors@ypbsystems.com

² This excludes the accrued interest on the Convertible Notes which will also convert into shares post-shareholder approval.

³ Based on a Black Scholes valuation of the Adviser Options assuming a \$0.07 exercise price, risk free rate of 2.774% and estimated volatility rate of 75% for a value of \$0.06 per Option.

SCHEDULE 1

Summary of the Terms of Convertible Notes

1.	Face Value	Each Convertible Note has a face value of \$1.00
2.	Ceiling Price	(a) on a pre-Consolidation basis, \$0.002 per Share; and (b) on a post-Consolidation basis, \$0.05 per Share.
3.	Floor Price	(a) on a pre-Consolidation basis, \$0.0005 per Share; and (b) on a post-Consolidation basis, \$0.0125 per Share.
4.	Interest	10% per annum (accruing daily) capitalised at the earlier of conversion, redemption or termination.
5.	Maturity Date	Six (6) months from the date of issue (Issue Date) of the Convertible Notes (Maturity Date)
6.	Conversion	<p>(a) Subject to shareholder approval, all Convertible Notes shall automatically convert into fully paid ordinary shares in YPB (Shares) (Conversion) on the Conversion Date.</p> <p>(b) The number of Shares to be issued pursuant to a Conversion will be calculated by dividing the loan amount plus any interest accrued and capitalised (Outstanding Amount) for that Noteholder by a conversion price equal to 75% of the 14 Trading Day VWAP of Shares immediately prior to the Conversion Date, subject to a maximum Share price equal to the Ceiling Price and a minimum issue price per Share equal to the Floor Price (Conversion Price).</p> <p>(c) Conversion Date means the date which is 20 Trading Days after shareholder approval is obtained.</p> <p>(d) Unless the Convertible Notes have otherwise being converted or redeemed, subject to the Company obtaining shareholder approval, on the Maturity Date or on the date that is 20 business days following receipt of written notice in accordance with Item 9(b) below, all the Convertible Notes will automatically be converted into such number of Shares as is determined by dividing the Outstanding Amount by the Conversion Price.</p> <p>(e) If shareholders do not approve the Conversion, the Outstanding Amount will be repayable in immediately available funds at the Maturity Date.</p>
7.	Redemption and Repayment	(a) At anytime during the Outstanding Period, the Company may redeem all the Convertible Notes by giving the

		<p>Noteholder 5 business days written notice of the redemption and paying the Outstanding Amount.</p> <p>(b) Outstanding Period means the period commencing on the Issue Date and concluding on the Maturity Date.</p> <p>(c) Unless fully converted or redeemed by the Company, the Company must redeem all Convertible Notes by repaying the Outstanding Amount on the Termination Date.</p> <p>(d) Termination Date means the earlier to occur of:</p> <ul style="list-style-type: none"> (i) the Maturity Date; and (ii) the date that is 20 Business Days following receipt by the Company of a notice from the Convertible Noteholder which makes a declaration in accordance with Item 9(b) below.
8.	Events of Default	<p>(a) Events of Default under the Convertible Note include:</p> <ul style="list-style-type: none"> (i) the Company fails to make, within 20 business days of the due date, any payment due in accordance with the Convertible Note Conditions; or (ii) the Company suffers an insolvency event. <p>(b) On the occurrence of an Event of Default, the Noteholder may by written notice to the Company declare all of the Convertible Notes due and payable and demand the payment of the Outstanding Amount.</p>