

ASX ANNOUNCEMENT

ASX:YPB | 18 November 2022

Financing Update with regard to A\$1M Loan Facility Provided by Executive Chairman and Grant of ASX Waivers

Anti-counterfeit and consumer engagement technology group **YPB Group Limited (ASX: YPB or the Company)** is pleased to provide a further update with respect to the A\$1m convertible loan facility (**Loan Facility**) from the Executive Chairman, as announced on 3 October 2022.

The Company has entered into a convertible note subscription agreement with J F Houston Holdings Pty Limited (**Noteholder**) (a company associated with our Executive Chairman) pursuant to which the Company will, subject to shareholder approval, issue convertible notes for a principal amount of A\$1,000,000 to the Noteholder (**Convertible Notes**) (**Subscription Agreement**).

The Company has convened a general meeting of shareholders to be held on 23 December 2022 to seek shareholder approval for, amongst other things, the issue of the Convertible Notes for the purposes of Listing Rule 10.11. Further details are included in the notice of meeting announced to ASX today.

The funds received from the issue of the Convertible Notes will be used to repay the amount drawn down under the Loan Facility (currently A\$500,000) and for working capital. The Loan Facility will be terminated following the issue of the Convertible Notes. Full details of the terms of the Loan Facility are contained in the ASX announcement entitled "Chairman provides A\$1M Convertible Loan Facility" dated 3 October 2022.

A summary of the material terms of the Subscription Agreement and Convertible Notes are as follows:

- (a) the issue of the Convertible Notes is subject to:
 - (i) the Company receiving shareholder approval for the issue of the Convertible Notes for the purposes of Listing Rule 10.11; and
 - (i) the Company:



- (A) receiving shareholder approval to enter into a general security deed and grant security over its assets in favour of the Noteholder to secure the Company's obligations under the Convertible Notes for the purposes of Listing Rule 10.1; or
 - (B) obtaining an ASX waiver to enter into a general security deed and grant security over its assets in favour of the Noteholder to secure the Company's obligations under the Convertible Notes for the purposes of Listing Rule 10.1; and
- (b) the Convertible Notes are:
- (i) interest bearing (with the same interest rate as under the Loan Facility);
 - (ii) redeemable early at the election of YPB;
 - (iii) repayable on the date that is 12 months from the issue date; and
 - (iv) intended to be secured pursuant to a general security deed against the assets of YPB;
- (c) subject to shareholder approval, the Convertible Notes may be converted into shares in the Company at the election of the Noteholder at a conversion price which is the lower of a 25% discount to the 20-day volume weighted average price ending on the issue date or the conversion date, but subject to a conversion floor price of no lower than \$0.002 per share; and
- (d) the terms of the Convertible Notes contain customary representations and warranties provided by the parties for an agreement of this nature.

The Noteholder's ability to convert the Convertible Notes is subject to shareholder approval and compliance with the Corporations Act. If the conversion would result in the Noteholder being in contravention of section 606, the Company will, as soon as reasonably practicable, convene a meeting of shareholders to seek approval under Item 7 of section 611 of the Corporations Act for the issue of the shares to be issued pursuant to the conversion.

Prior to entering into the Loan Facility, the Company required urgent short-term funding. The Company had discussions with various funding providers but was not able to secure equivalent funding at an equivalent cost or an equivalent timeframe given current market conditions. The Loan Facility was negotiated at arm's length and Mr Houston, as the only viable prospective lender, required security over the Company's assets to enter into the



Loan Facility. Subsequent to entering into the Loan Facility, the Company entered into negotiations with Mr Houston to enter into the Subscription Agreement. The Company's intention is to repay the amount drawn down under the Loan Facility by issuing the Convertible Notes to the Noteholder, subject to shareholder approval. The Subscription Agreement was negotiated at arm's length and Mr Houston required security over the Company's assets to enter into the Subscription Agreement. The Company's independent non-executive directors believe that the Loan Facility, the Subscription Agreement and related general security deeds are in the best interests of shareholders.

The Company's decision to obtain financial accommodation from the Executive Chair, a related party, demonstrates Mr Houston's commitment and confidence in the Company's technology, the team at YPB and the market potential for its technology and solutions.

The Company is also pleased to advise that it sought and has been granted two waivers by ASX from Listing Rule 10.1 to the extent necessary to enable YPB to grant security over its assets to the Noteholder without obtaining shareholder approval. The decision to grant the waivers are on the following terms:

Waiver Decisions

Listing Rule 10.1

1. Based solely on the information provided, ASX Limited ('**ASX**') grants YPB Group Ltd (the 'Company') a waiver from Listing Rule 10.1 to the extent necessary to permit the Company to grant security over its assets in favour of J F Houston Holdings Pty Limited ('Lender') (the 'Security'), an entity associated with the Company's executive chairman John Houston, pursuant to which the Lender will provide the Company with a \$1,000,000 loan facility repayable in 12 months from the date of the agreement ('Loan Facility'), which the Company may repay by way of convertible notes in the Company for the principal amount of \$1,000,000 to the Lender pursuant to a convertible note subscription agreement ('Convertible Note Agreement'), without obtaining security holder approval for the Loan Facility and Security on the following conditions:
 - 1.1. the material terms of the transaction and of the waiver are announced to the market;
 - 1.2. the announcement includes a description of the reasons why the entity has chosen to obtain the financial accommodation from the Listing Rule 10.1 party rather than a lender that is not a Listing Rule 10.1 party and the steps the board of the entity (or, in the case of a listed trust, the RE of the trust) has taken to satisfy itself that the



transaction is being entered into on arm's length terms and is fair and reasonable from the perspective of the holders of the entity's ordinary securities;

1.3. the Security documents expressly provide that:

1.3.1 the Security is limited to the funds due under the financial accommodation;

1.3.2 the Security will be discharged when the funds due under the financial accommodation have been repaid in full, including through the shares issued upon conversion of the convertible notes;

1.3.3 in the event the Security is enforced, the assets can only be disposed of to the Listing Rule 10.1 party or an associate of the Listing Rule 10.1 party if the disposal is first approved by the entity's security holders under Listing Rule 10.1; and

1.3.4 otherwise, if the holder of the Security exercises, or appoints a receiver, receiver and manager or analogous person to exercise, any power of sale under the Security, the assets must be sold to an unrelated third party on arm's length commercial terms and the net proceeds of sale distributed to the Listing Rule 10.1 party in accordance with their legal entitlements;

1.4. any variation to the terms of the financial accommodation, Loan Facility, or the Security which:

1.4.1 advantages the Listing Rule 10.1 party in a material respect;

1.4.2 disadvantages the entity in a material respect; or

1.4.3 is inconsistent with the terms of the waiver, must be subject to security holder approval under Listing Rule 10.1; and

1.5. for each year while they remain on foot, a summary of the material terms of the financial accommodation, Loan Facility and the Security is included in the related party disclosures in the entity's audited annual accounts.

2. ASX has considered Listing Rule 10.1 only and makes no statement as to the Company's compliance with other listing rules.

Listing Rule 10.1



1. Based solely on the information provided, ASX Limited ('**ASX**') grants YPB Group Ltd (the 'Company') a waiver from Listing Rule 10.1 to the extent necessary to permit the Company to grant security over its assets in favour of J F Houston Holdings Pty Limited ('Noteholder') (the 'Security'), an entity associated with the Company's executive chairman John Houston, pursuant to which the Noteholder will be issued with convertible notes in the Company for the principal amount of \$1,000,000 in connection with a convertible note subscription agreement ('Convertible Note Agreement') to be entered into to facilitate the repayment of a loan facility entered into between the Noteholder and the Company, without obtaining security holder approval for the Security on the following conditions:
 - 1.1. the material terms of the transaction and of the waiver are announced to the market;
 - 1.2. the announcement includes a description of the reasons why the entity has chosen to obtain the financial accommodation from the Listing Rule 10.1 party rather than a lender that is not a Listing Rule 10.1 party and the steps the board of the entity (or, in the case of a listed trust, the RE of the trust) has taken to satisfy itself that the transaction is being entered into on arm's length terms and is fair and reasonable from the perspective of the holders of the entity's ordinary securities;
 - 1.3. the Security documents expressly provide that:
 - 1.3.1 the Security is limited to the securities due under the financial accommodation;
 - 1.3.2 the Security will be discharged when the funds due under the financial accommodation have been repaid in full, including through the shares issued upon conversion of the convertible notes;
 - 1.3.3 in the event the Security is enforced, the assets can only be disposed of to the Listing Rule 10.1 party or an associate of the Listing Rule 10.1 party if the disposal is first approved by the entity's security holders under Listing Rule 10.1; and
 - 1.3.4 otherwise, if the holder of the Security exercises, or appoints a receiver, receiver and manager or analogous person to exercise, any power of sale under the Security, the assets must be sold to an unrelated third party on arm's length commercial terms and the net proceeds of sale distributed to the Listing Rule 10.1 party in accordance with their legal entitlements;
 - 1.4. any variation to the terms of the financial accommodation, Convertible Note Agreement, or the Security which:





- 1.4.1 advantages the Listing Rule 10.1 party in a material respect;
 - 1.4.2 disadvantages the entity in a material respect; or
 - 1.4.3 is inconsistent with the terms of the waiver, must be subject to security holder approval under Listing Rule 10.1; and
- 1.5. for each year while they remain on foot, a summary of the material terms of the financial accommodation, Convertible Note Agreement and the Security is included in the related party disclosures in the entity's audited annual accounts.
2. ASX has considered Listing Rule 10.1 only and makes no statement as to the Company's compliance with other listing rules.

This announcement is authorised by the board of directors of YPB.

Ends.

For further information please contact:

YPB Investor enquiries
investors@ypbsystems.com

Ben Jarvis
0413 150 448
Ben.jarvis@sdir.com.au
Six Degrees Investor Relations

About YPB Group

YPB Group Limited (ASX:YPB) develops and sells a suite of product authentication and consumer engagement technologies designed for a world where authenticity triggers engagement, and the value of consented first party data is ever increasing.

The combination of YPB's covert tracer and smartphone authentication technologies together with its proprietary Connect platform allows product packaging to become connected. YPB's technology opens cost-effective, digital, and direct marketing channels between brands and their consumers, while protecting both against counterfeits and allowing tailored marketing campaigns directly back to the scanning smartphone.

YPB is focused on the rapidly growing Australian, South-East Asian, and Chinese markets and our focus is dairy products, official identification documents, alcohol brands, FMCG manufacturers, global packaging partners and integrators. Our target markets represent billions of items and are growing rapidly. To learn more please visit: <https://www.ypbsystems.com>



investors@ypbsystems.com

YPB Group Limited
Level 5
126 Phillip Street
SYDNEY NSW 2000

[ypbsystems.com](https://www.ypbsystems.com)