

ASX ANNOUNCEMENT

ASX: YPB | 08 March 2023

YPB enters USA pull tab/instant lottery ticket market

- **YPB Tracer to protect USA pull tab/instant lottery tickets from fraud**
- **3-year MSA for USA pull tab/instant lottery market**
- **First purchase order of US\$19,673 received**
- **Potential step-change in realisable value of YPB Tracer technology**

Authentication and consumer engagement solutions creator **YPB Group Limited (ASX: YPB)** is pleased to announce that its established invisible YPB Tracer technology will be used to address pull tab/instant lottery ticket fraud in the USA.

Under a 3-year Master Services Agreement (MSA) with Smart-tab Systems LLC, invisible YPB Tracer will prevent the copying and fraudulent double redemption of winning pull tab/instant lottery tickets. Copying and double redemption is an increasingly significant problem for pull tab/instant lotteries generally.

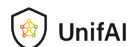
An innovation of invisible YPB Tracer technology has seen YPB's hand-held scanner successfully adapted into an OEM module for automated pull tab/instant lottery ticket vending/payout machines. This project sees YPB taking its first steps into a potentially major new market in pull tab/instant lotteries, initially in the USA.

In short, invisible YPB Tracer will be applied at the point of manufacture to only winning pull tab/instant lottery tickets and YPB OEM scanner modules will be fitted to self-serve kiosks and concessions that payout winning tickets. As tickets are inserted to redeem payouts, the in-machine YPB OEM scanner module will automatically confirm or deny the presence of tracer thereby authenticating tickets and directing the machine to pay-out only on genuine winning tickets. Copied tickets, lacking YPB's invisible tracer, will not be redeemable and will be rejected.

YPB has been working on the innovation for some time and is sufficiently confident of the technology to begin this initial rollout. YPB's goal is to roll-out this technology to each USA State where pull-tab / instant lotteries are sold.

An initial purchase order of US\$19,573 has been placed to commence the initial rollout which commences within 45 days of the MSA start and will take 30-60 days to complete and YPB is on track to beat this deadline.

YPB can produce 2 million YPB invisible tracer-coated tickets and approximately 5 machines will be manually retrofitted with YPB's OEM scanner modules under the terms of the initial purchase order.





As the rollout progresses, it is envisaged that the OEM scanners will be fitted to machines at the point of manufacture and 100 machines are contemplated within the terms of the MSA.

Notably, this MSA is consistent with YPB's business plan of expansion into the North American market. The USA instant lotteries market was valued at US\$65 billion in 2021, accounting for 62% of all USA lottery sales in 2021. The EU instant lotteries market was an almost identical size in 2021. Both markets grew at circa 10% per annum compound over the 20 years to 2021 and are expected to maintain rapid growth. (Source: Public Gaming International, March-April 2022). YPB is also proposing to explore the potential to expand this technology into the China lotteries market where instant lotteries are highly popular and counterfeiting is reportedly a major problem.

This extension of YPB's invisible tracer relevance presents a potential step-change in its realisable value. To date, invisible YPB Tracer has primarily been adopted in lower value applications and jurisdictions, with an emphasis on China. This lottery innovation will be the first opportunity for invisible YPB Tracer in a Western, potentially very large, high need market. As always, YPB will look to partner with established players in accessing new markets to maximise the speed of penetration and avoid building a large fixed-cost burden, thereby maximising profit leverage and minimising risk.

Further supporting the prospect of a greatly expanded addressable market and consequent step-change in realisable value have been three other recent YPB Tracer innovations:

- the addition of Bluetooth connectivity to the previously "offline" YPB scanner;
- the development of the YPB Tracer app to facilitate data capture from scans; and
- the integration of the YPB Tracer and MotifMicro apps into the YPB Connect Global Dashboard (YPB's consumer engagement and data management platform) enabling the capture and analysis of data from authentication scans from any internet-connected global location.

These innovations extend the scanning of tracer from a purely anti-counterfeit tool into a valuable market intelligence tool. They have all been achieved at low incremental cost but have potentially significant, leveraged payoffs through opening much higher value markets and opportunities to the original technology.

YPB Executive Chairman and Group CEO John Houston said: *"This is potentially the most important commercial opportunity YPB has achieved post Covid, especially due to its broader ramifications. We have developed a simple, low-cost solution to a very expensive problem and are confident of its efficacy and relevance.*


Our YPB Tracer is a proven, forensic anti-counterfeit solution, and this project, along with the recent connectivity and data capture innovations, greatly multiplies the potential value that it can now generate for shareholders.

I should also note that this MSA is the first tangible result from our intensified online marketing begun in H2 2022. Other meaningful opportunities initiated by inbound enquiry from that program are in progress.

This specific project has been in development for many months now and we are optimistic of a full rollout over time.



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Summary of material terms of MSA

1. Counter-party Smart-Tab Systems LLC
2. YPB's T2 covert tracer to be integrated into printed lottery tickets
3. YPB's T2 scanner to be integrated into ticket readers
4. Rollout to commence within 45 days of MSA being signed
5. Minimum order quantity for this MSA US\$30,138
6. Confidentiality provisions
7. 3-year term
8. The agreement termination rights typical for an agreement of this nature, including for a breach of the agreement and a mutual termination right upon providing one month's notice and payment of the minimum order quantity
9. Initial order US\$19,573.49- 50% payment on order paid

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

Ends.

For further information please contact:

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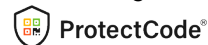
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About YPB Group

YPB Group Limited (ASX: YPB) is listed on the Australian Stock Exchange and has developed and sells a suite of physical, digital, and AI-based authentication technologies with a vast range of applications. Our solutions can easily authenticate a myriad of items, such as FMCG (fast-moving consumer goods) products, official identification documents, pharmaceuticals, nutraceuticals, dairy products, tax stamps, transactions - and even people.

Our solutions trigger engagement with consumers in a consented, cost-effective, and direct manner. Our proprietary technologies utilize Bluetooth and/or smartphones to capture and analyse invaluable authentication data in our Connect™ global intelligence platform, providing real-time, first-party, and worldwide market intelligence data. This actionable data enables brands to establish digital and direct marketing channels with their customers.

The markets YPB is targeting comprise many billions of items, and this number is growing rapidly, providing YPB with significant growth opportunities for its authentication and consumer engagement technologies.



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