

## ASX ANNOUNCEMENT

ASX:YPB | 28 July 2023

### Operating cash burn maintained at record lows

- **Q2 2023 operating cash consumption lowest in company's history**
- **Potential for better H2 cash receipts and ongoing tight cost control**
- **New business pipeline continues to advance**

Authentication and consumer engagement solutions creator **YPB Group Limited (ASX: YPB)** presents highlights of activities for the quarter ended 30 June 2023 (Q2 2023).

Operating cash consumption in Q2 2023 of \$478k was the lowest on record. Although Q1 2023 reported a lower figure of only \$124k, it was favoured by a non-recurring \$450k from successful legal action taken by the company (as previously announced).

The Q2 2023 result was essentially the combination of steady cash receipts and a fall in operating cash costs following seasonally lower corporate costs as foreshadowed in the Q1 4C commentary.

The result demonstrated ongoing frugal cash management and paints a path to profitability as largely fixed costs are held tight and future revenue growth is achieved.

To that end, the goal for the balance of 2023 remains to capitalise on the momentum of compelling products and greater sales effectiveness to drive revenue beyond costs.

### Q2 2023 cash control tight in persistently difficult revenue environment

Cash receipts holding steady in Q2 2023 from Q1 2023 was an acceptable result in a persistently difficult revenue environment. Recurring revenues from existing customers provided a solid foundation for the quarter. Covid hangovers linger in all aspects of business development and revenues have yet to recover to pre-covid levels. In Q2, China did not see the degree of uplift anticipated but progressive improvement was evident through the quarter as customers worked through backorders and needed to re-order with YPB.

Cash gross margin was steady in Q2 from Q1 at 97%, further highlighting the intellectual property inherent in the company's products. The very high gross margin remains a key element in the company's profit-leveraged path to profitability.

Operating cash costs fell 14% in Q2 from Q1 driven by a 40% fall in admin and corporate costs. As foreshadowed in the Q1 4C commentary, there is some inherent volatility in this item due to the timing of payments for periodic expenses such as ASX, audit and insurance, and this item is likely to rise and fall while remaining annually stable. Staff costs fell and R&D costs rose in Q1 with internal changes.

Some improvement in revenues and cash receipts is anticipated over the balance of the year. Costs will remain tightly controlled but may rise modestly. The progress made in product depth and quality and the success of outbound marketing campaigns together justify some modest further marketing investment.

## Key projects progressing well

The major customer win in the quarter was the Australian inventor Rim-Lock Innovations Pty Ltd. Its novel OH&S large machinery safety product is being initially adopted in the mining industry <https://www.rim-lock.com.au>

YPB's solutions will be deployed by Rim-Lock® as it works with resources and OEM equipment customers in using its Rim-Lock® product to:

- Ensure supply chain integrity.
- Authenticate new and in-use parts as genuine.
- Enable automated maintenance logging for service schedule compliance.

This contract demonstrates YPB advancing the monetisation of its intellectual property by combining blocks of its IP library to create bespoke solutions to significant problems in tangential markets.

Other key projects progressed well in the quarter with the USA lottery ticket fraud prevention pilot advancing admirably to plan. Two new pilots commenced with the clients of a channel partner with global reach.

R&D projects requested by partners to develop products targeted at specific large verticals, in JV with existing suppliers to those verticals, commenced and progressed in the quarter.

Further high functionality enhancements of Connect were delivered and successfully implemented with key customers.

Development of new products under the NVISO licence (announced ASX 16/03/23) did not progress as anticipated due to management changes at NVISO. This has since been rectified and rather than pursuing new products as previously envisaged, YPB will focus on rapid payback developments to enhance and extend existing products with the leading-edge AI portfolio developed by NVISO (see ASX 27/07/23) which builds upon a strong relationship established with NVISO's new management and Board.

## Corporate

Funds of \$500k, part of a two-stage placement announced in March 2023, were received from Executive Chairman John Houston following shareholder approval at the AGM.

The company's AGM was held on 31 May 2023 with all resolutions approved by shareholders.

As of 30 June 2023, the Company held \$1,036k in cash and cash equivalents, in line with \$1,049k held as of 31 March 2023.

During the quarter the Company made payments of \$38k to related parties and their associates. This comprised payments related to the CEO/Chairman's existing remuneration agreement with the Company.

**YPB Executive Chairman and Group CEO John Houston said:** *"We were pleased to again demonstrate the tight management of YPB's cash while continuing both product and market development. The post-covid world is still challenging but there are signs of a thaw and improvement in our financial results over the balance of the year is achievable."*

*The depth of our products and our marketing skill has leapt ahead in the past two years. We are building powerful relationships to monetise this latent value by solving acute problems in large markets with powerful products. We are intent on building considerable shareholder wealth.*



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

**Ends.**

**For further information please contact:**

YPB investor enquiries  
[investors@ypbsystems.com](mailto:investors@ypbsystems.com)

Ben Jarvis  
0413 150 448  
[Ben.jarvis@sdir.com.au](mailto:Ben.jarvis@sdir.com.au)  
Six Degrees Investor Relations

#### About YPB Group

YPB Group Limited (ASX: YPB) is listed on the Australian Stock Exchange and has developed and sells of 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 utilise Bluetooth and/or smartphones to capture and analyse invaluable authentication data in our Connect™ global 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. To learn more please visit: [ypbsystems.com](http://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")**

30 June 2023

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(6 months)<br/>\$A'000</b> |
|---|---|------------------------------------|--|
| <b>1.</b>                                   | <b>Cash flows from operating activities</b>           |                                    |  |
| 1.1   | Receipts from customers                               | 99                                 | 428  |
| 1.2   | Payments for  |                                    |  |
|   | (a) research and development                          | (133)                              | (241)  |
|   | (b) product manufacturing and operating costs         | (3)                                | (5)  |
|   | (c) advertising and marketing                         | (17)                               | (32)   |
|   | (d) leased assets                                     | (38)                               | (70)   |
|   | (e) staff costs                                       | (232)                              | (494)  |
|   | (f) administration and corporate costs                | (148)                              | (396)  |
| 1.3   | Dividends received (see note 3)                       | -                                  | -  |
| 1.4   | Interest received                                     | 6                                  | 10   |
| 1.5   | Interest and other costs of finance paid              | -                                  | -  |
| 1.6   | Income taxes paid                                     | -                                  | -  |
| 1.7   | Government grants and tax incentives                  | -                                  | -  |
| 1.8   | Return of deposits from office rentals                | -                                  | -  |
| 1.9   | Other (Refund from legal deposit)                     | -                                  | 200  |
| 1.10  | Other (GST/VAT refund)                                | (12)                               | (2)  |
| <b>1.11</b>                                 | <b>Net cash from / (used in) operating activities</b> | <b>(478)</b>                       | <b>(602)</b>                                   |
| <b>2.</b>                                   | <b>Cash flows from investing activities</b>           |                                    |  |
| 2.1   | Payments to acquire or for:                           |                                    |  |
|   | (a) entities  | -                                  | -  |
|   | (b) businesses  | -                                  | -  |

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
|                                      | (c) property, plant and equipment                     | -                          | 2                                     |
|                                      | (d) investments                                       | -                          | -                                     |
|                                      | (e) intellectual property                             | -                          | -                                     |
|                                      | (f) other non-current assets                          | -                          | (50)                                  |
| 2.2                                  | Proceeds from disposal of:                            |                            |                                       |
|                                      | (a) entities  | -                          | -                                     |
|                                      | (b) businesses  | -                          | -                                     |
|                                      | (c) property, plant and equipment                     | -                          | -                                     |
|                                      | (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                        | -                          | -                                     |
| 2.6                                  | Other (provide details if material)                   | -                          | -                                     |
| <b>2.7</b>                           | <b>Net cash from / (used in) investing activities</b> | <b>-</b>                   | <b>(48)</b>                           |

|             |   |            |              |
|-------------|---|------------|--------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>   |            |              |
| 3.1         | Proceeds from issues of equity securities (excluding convertible debt securities)       | 500        | 1,400        |
| 3.2         | Proceeds from issue of convertible debt securities                                      | -          | -            |
| 3.3         | Proceeds from exercise of options   | -          | -            |
| 3.4         | Transaction costs related to issues of equity securities or convertible debt securities | -          | -            |
| 3.5         | Proceeds from borrowings  | -          | -            |
| 3.6         | Repayment of borrowings   | (28)       | (110)        |
| 3.7         | Transaction costs related to loans and borrowings                                       | -          | -            |
| 3.8         | Dividends paid  | -          | -            |
| 3.9         | Other (Corporate Advisory, Research, investor relations, etc.)                          | (6)        | (245)        |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                                   | <b>466</b> | <b>1,045</b> |

| Consolidated statement of cash flows |  | Current quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|--------------------------------------|--|----------------------------|---------------------------------------|
| <b>4.</b>                            | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |                            |                                       |
| 4.1                                  | Cash and cash equivalents at beginning of period                             | 1,049                      | 641                                   |
| 4.2                                  | Net cash from / (used in) operating activities (item 1.11 above)             | (478)                      | (602)                                 |
| 4.3                                  | Net cash from / (used in) investing activities (item 2.7 above)              | -                          | (48)                                  |
| 4.4                                  | Net cash from / (used in) financing activities (item 3.10 above)             | 466                        | 1,045                                 |
| 4.5                                  | Effect of movement in exchange rates on cash held                            | (1)                        | -                                     |
| <b>4.6</b>                           | <b>Cash and cash equivalents at end of period</b>                            | <b>1,036</b>               | <b>1,036</b>                          |

|            |   |                                    |                                     |
|------------|---|------------------------------------|-------------------------------------|
| <b>5.</b>  | <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
| 5.1        | Bank balances   | 1,036                              | 1,049                               |
| 5.2        | Call deposits   | -                                  | -                                   |
| 5.3        | Bank overdrafts   | -                                  | -                                   |
| 5.4        | Other (provide details)   | -                                  | -                                   |
| <b>5.5</b> | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>  | <b>1,036</b>                       | <b>1,049</b>                        |

|   |   |                                    |
|---|---|------------------------------------|
| <b>6.</b>   | <b>Payments to related parties of the entity and their associates</b>                   | <b>Current quarter<br/>\$A'000</b> |
| 6.1   | Aggregate amount of payments to related parties and their associates included in item 1 | 38                                 |
| 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> |   |                                    |

|   |   |  |
|---|---|--|
| <b>7. Financing facilities</b><br><i>Note: the term "facility" includes all forms of financing arrangements available to the entity.<br/>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>   | <b>Total facility amount at quarter end \$A'000</b> | <b>Amount drawn at quarter end \$A'000</b> |
| 7.1 Capital raise   | 600   | 600  |
| 7.2 Credit standby arrangements   | -   | -  |
| 7.3 Other (please specify)  | -   | -  |
| 7.4 <b>Total financing facilities</b>   | 600   | 600  |
| 7.5 <b>Unused financing facilities available at quarter end</b>   |   | 600  |
| 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.   |   |  |
| Answer: On 21 March 2023, the Company received commitments to raise \$2,000,000 from professional and sophisticated investors. By 31 March 2023 and 30 June 2023, the Company received cash and issued \$900,000 and \$500,000 of equity respectively. Post quarter-end, the Company intends to issue the remaining \$600,000 of equity as per Item 7.5 above subject to the conditions approved by shareholders. |   |  |

|  |                |
|--|----------------|
| <b>8. Estimated cash available for future operating activities</b>   | <b>\$A'000</b> |
| 8.1 Net cash from / (used in) operating activities (item 1.11)   | (478)          |
| 8.2 Cash and cash equivalents at quarter end (item 4.6)  | 1,036          |
| 8.3 Unused finance facilities available at quarter end (item 7.5)  | 600            |
| 8.4 Total available funding (item 8.2 + item 8.3)  | 1,636          |
| 8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>  | 3.42           |
| <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: N/A  |                |
| 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: N/A  |                |

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: N/A

*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 July 2023

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.