

SUPPLEMENTARY PROSPECTUS

1 Important Information

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the prospectus dated 9 June 2022 (**Prospectus**) issued by YPB Group Limited ACN 108 649 421 (the **Company**).

This Supplementary Prospectus is dated 29 June 2022 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility as to the contents of this Supplementary Prospectus.

This Supplementary Prospectus should be read together with the Prospectus. Other than the changes set out in this Supplementary Prospectus, all other details in relation to the Prospectus remain unchanged. To the extent of any inconsistency between this Supplementary Prospectus and the Prospectus, the provisions of this Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Prospectus have the same meaning in this Supplementary Prospectus.

The Company has issued both a printed and electronic version of this Supplementary Prospectus and the Prospectus. Electronic versions of both may be accessed at www.ypbsystems.com.

This Supplementary Prospectus and the Prospectus are important documents that should be read in their entirety. If you are in any doubt as to the contents of this Supplementary Prospectus or the Prospectus, you should consult your stockbroker, lawyer, accountant or other professional adviser without delay.

2 Supplementary Prospectus

2.1 Adviser Offer

On 27 June 2022, the Company announced that it had received commitments to raise \$500,000 from professional and sophisticated investors pursuant to the issue of Additional Convertible Note Raising. Similar to the fee for the Convertible Note Raising, EverBlu acted as lead manager to the Additional Convertible Note Raising and is entitled to receive a 6% fee on the gross amount raised and to be issued 600,000 Shares and 17,500,000 Options.

The Advisor Offer is amended and is an offer of 2,400,000 Shares and 70,000,000 Options to EverBlu (**Advisor Offer**).

2.2 Closing Date

The Closing Date for the Offers is 5.00pm (AWST) on 30 June 2022. The Company reserves the right, subject to the Corporations Act and the Listing Rules to extend the Closing Date without prior notice. If the Closing Date is varied, subsequent dates may also be varied accordingly.

3 Effect on the Capital Structure

The effect of the revised Advisor Offer on the capital structure on the Company, assuming the Securities are issued, is as follows:

| Class | Shares | Options | Performance Rights |
|--|-------------|--------------------------|--------------------|
| Securities on issue as at the date of this Prospectus | 246,168,270 | 2,560,000 ⁽¹⁾ | 9,176,535 |
| Options to be issued pursuant to the Convertible Note Options Offer | | 52,500,000 | |
| Securities to be issued pursuant to the Advisor Offer | 2,400,000 | 70,000,000 | |
| Options to be issued pursuant to the Additional Convertible Note Options Offer | | 17,500,000 | |

| | | | |
|--|--------------------|--------------------|------------------|
| Shares to be issued on conversion of Convertible Notes | 118,483,412 | | |
| Shares to be issued pursuant to the Additional Convertible Notes | 39,494,471 | | |
| Total on completion of the Offers | 406,546,153 | 142,560,000 | 9,176,535 |

(1) Comprising of the following:

- a. 640,000 unlisted options with an exercise price of \$8.75 expiring on 12 December 2026;
- b. 640,000 unlisted options with an exercise price of \$11.25 expiring on 12 December 2026;
- c. 640,000 unlisted options with an exercise price of \$13.75 expiring on 12 December 2026; and
- d. 640,000 unlisted options with an exercise price of \$16.25 expiring on 12 December 2026.

4 Risk Factors

The risks outlined in the Prospectus will continue to apply under this Supplementary Prospectus, including but not limited to those described below.

4.1 Specific Risks Associated with the Company

(a) Intellectual property

To market and protect its market position, it is important for the Company to protect the intellectual property in its brand and the technology. Although some of the technology is patented, there may be situations where it cannot be protected or is subject to unauthorised disclosure, infringement, or challenge by a third party. This may require significant cost and effort to defend or to obtain the necessary protections to prevent such conduct (as the case may be).

There is a risk that other individuals or companies may claim to have an interest in intellectual property or trade secrets used by the Company. Intellectual property or trade secrets may be challenged by other parties and defending such actions may adversely impact the Company's earnings. In addition, if the Company is required to develop or support new technology and intellectual property, it may require significant capital expenditure by the Company.

The Company has previously or in future will acquire trade secrets and other intellectual property rights that are important assets. The Company may therefore rely on a combination of confidentiality and license agreements with its consultants and third parties with whom it has relationships, as well as domain name, trade secret, copyright and patent laws, to protect its brand and other intellectual property rights. However, various events outside of the Company's control could pose a threat to its intellectual property rights, as well as to its products and technologies.

(b) Reliance on key personnel

The Company relies on the experience and knowledge of its management team, in particular John Houston. The Company is also dependent on its ability to recruit and retain suitably qualified personnel. In the event that such key personnel left the Company and it was unable to recruit suitable replacements, such loss could have a materially adverse effect on the Company.

(c) Increased competition

The anti-counterfeit and brand protection market is highly competitive. This competition has intensified as a result of improvements in technology. The actions of an existing competitor or the introduction of a new competitor in the anti-counterfeit market may make it difficult for the Company to grow its revenue, which in turn, may have an adverse effect on its profitability.

If the Company's technology proves to be less successful or more costly than its competitors products, the business of the Company could be adversely affected.

(d) Growth prospects and Company expansion plans

The Company's growth prospects are dependent upon a number of factors, including, customer take up and execution of rollout. There is a risk that the Company may encounter potential issues arising from operating in foreign jurisdictions, including marketing restrictions, regulations regarding anti-theft, and protecting its intellectual property. These risks will vary in importance depending on the countries the Company chooses to enter into. If the Company fails to execute any expansion plan and cannot attract buyers for its products, its financial performance is likely to be negatively affected.

In the short term, the Company continues to make efforts that are aimed at the commercialisation of MotifMicro including, but not limited to, activities in respect to consumer application development, smartphone readability and artificial intelligence enhancements, fabrication, beta sampling and product testing. The Company believes that favourable developments in these areas would likely have a positive effect on the Company's financial performance and conversely if the Company fails to successfully accomplish these then its financial performance is likely to be negatively affected.

(e) Litigation, Regulatory and Government risk

The Company is exposed to changes in laws, regulations and government policies which may affect the profitability and activities of the Company in the PRC, Australia and other countries where the Company operates. Laws may be enacted or enforced which affect greater regulation upon the sector or territories in which the Company operates or the regulatory regime applicable to the Company which may increase the Company's operating costs to comply with the relevant government regulations. In addition, taxation legislation may change which could impact the Company's profitability as may changes to tariffs or other Government trade policies that may impact exports to a particular Country or related to a particular sector. The Company may be subject to litigation, complaints and other claims or disputes, regulatory inquiries or investigations and other enforcement actions initiated by customers, employees, suppliers, regulators or other third parties in the course of its business. Such matters may have a materially adverse effect on the Company's financial performance and position. Even if such matters are successfully defended or settled without financial consequences, they may have a material adverse effect on the Company's reputation, financial statements, financial performance or financial position.

(f) Reliance on access to internet

The Company will depend on the ability of its users to access the internet. Access is provided by various classes of entities in the broadband and internet access marketplace. Should any of these entities disrupt, restrict or affect the cost of access to the Company's products, usage of the Company's products may be negatively impacted.

(g) Programming errors

The Company's products will contain complicated programming and its objectives are to quickly develop and launch new and innovative products and features. The Company's products may therefore contain, now or in the future, errors, bugs or vulnerabilities. Any errors, bugs or vulnerabilities discovered could result in (amongst other consequences) damage to the Company's brand, loss of customers, falls in revenues or liability for damages, any of which could adversely affect the Company's business and operating results.

(h) Liability risk

Whilst the Company will take precautions both legal and physical, the nature of the Company business of providing products and services to the anti-counterfeit field, may give rise in certain circumstances to potential legal action by either customers or end users in the areas of product or public liability. If legal action was taken against the Company, it could have a material adverse effect on the financial performance of the business and to its reputation and brand name.

(i) Reliance on key supplier relationships

The Company relies on various key supplier relationships for certain parts of its business. The loss or impairment of any of these relationships could have a material adverse effect on the Company's results of operations, financial condition and prospects, at least until alternative arrangements can be implemented. In some instances, however, alternative arrangements may not be available or may be less financially advantageous than the current arrangements.

In particular, the Company relies on third parties to provide intellectual property development and manufacturing services. Although there are long term contracts in place with stringent non-compete provisions, the Company is vulnerable to any change in output from these suppliers. Should any of these suppliers significantly reduce their supply to the Company, this will have an adverse effect of the growth prospects and financial performance of the Company.

(j) Product selection

An important element of the Company's business is an ability to assess and identify products that appeal to the Company's target market. Newer anti-counterfeit and brand protection technologies and products are increasing the number of choices available to customers. This may make the Company's products less attractive and any misjudgements in demand or changes in customer

preferences could result in reduced sales, increase inventory and/or lower gross margins. In addition, existing products or products in the future developed by the Company may experience performance problems rendering them difficult or impossible to sell, or subject to product recall which could have a material adverse impact on the Company's financial performance.

(k) Delivery risk

Due to the nature of the Company's key products being manufactured in the PRC, the potential exists for delays or cancellations in the delivery of products without any practical recourse being available to the Company to recover lost earnings. Any such delay or cancellation would have an adverse impact on the Company's earnings and profits.

(l) Exchange rates

The Company is exposed to movements in foreign exchange rates. As the Company will report financial earnings in Australian dollars, and because the Company does not plan to hedge against movements in the exchange rate, significant fluctuations in exchange rates may impact on the Company's margins and earnings adversely.

(m) Funding

While the Company believes it will have sufficient funds after completion of the Offers to meet all of its growth and capital requirements for the near term, the Company may seek to exploit opportunities of a kind that will require it to raise additional capital from equity or debt sources. There can be no assurance that the Company will be able to raise such capital on favourable terms or at all. If the Company is unable to obtain such additional capital, it may be required to reduce the scope of its anticipated activities, which could adversely affect its business, financial condition and operating results.

(n) COVID-19 risk

The outbreak of the Coronavirus pandemic (COVID-19) has impacted global markets, businesses, travel and securities markets. The nature and extent of the effect of the pandemic on the performance of the Company is currently unable to be quantified. The Company's share price may be adversely affected by the economic uncertainty caused by COVID-19 and fulfilment of orders may be adversely affected by the effects of lockdowns at state and international levels and the slowdown of certain industries. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.

(o) Potential for dilution

Although the issue of the Options pursuant to the Offers will not result in dilution to the holders of Shareholders, any exercise of the Options into Shares will result in Shareholders being diluted through the issue of new Shares.

4.2 Risks associated with investing in the stock market

(a) Price fluctuations

The Securities are to be quoted on the ASX, where the price may rise or fall. The Securities issued or sold under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on the ASX. The value of the Securities will be determined by the share market and will be subject to a range of factors, many or all of which may be beyond the control of the Company and the management team.

(b) Economic factors

Changes in economic and business conditions in Australia or internationally may affect the fundamentals of the Company's target markets or its costs structure and profitability. Adverse changes in the level of inflation, interest rates, consumer spending, and employment rates, are outside the control of the Company and the management team and may have an adverse effect on the financial performance and/or financial position of the Company.

(c) Taxation

Future changes to tax law or changes to the way in which taxation laws are interpreted in the various jurisdictions in which the Company operates or makes underlying investments may correspondingly impact the taxation liability of the Company or the value of its assets.

There are tax implications arising from purchasing and selling Securities, receiving distributions from the Company, and participation in any on-market Share buy-backs. Accordingly, investors should seek their own independent taxation advice before applying for Securities under the Offers.

(d) Insurance risks

Although insurance is maintained by the Company, no assurance can be given that adequate insurance will continue to be available to the Company in the future on commercially acceptable terms.

In addition, the Company may incur liabilities to third parties (in excess of any insurance cover or statutory reserves) arising from negative environmental impacts or other damages or injury. There is a risk of an occurrence of a significant event leading to losses that are not fully covered by insurance.

(e) Other external factors:

Other external factors that may affect the value of the Securities include (but are not limited to):

- (i) changes in investor sentiment toward particular market sectors;
- (ii) changes in interest rates and the rate of inflation;
- (iii) the demand for, and supply of, capital;
- (iv) changes in exchange rates;
- (v) changes to accounting standards; and
- (vi) the nature of competition in the industries in which the Company operates.

4.3 Investment Highly Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors and others not specifically referred to above, may, in the future, materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

The Shares offered pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisors before deciding whether to apply for Shares. The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company.

5 Terms & Conditions of the Options

Section 4.1(b) of the Prospectus is replaced with the following for the exercise price and expiry date of the Options:

(b) Exercise Price and Expiry Date

| Exercise Price per Option | Expiry Date |
|---|---|
| 40% premium to the 14 trading day volume weighted average price of the Shares immediately prior to the date of issue of the Options | Two years from the date of issue of the Options |

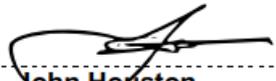
6 Consents

The Company confirms that as at the date of this Supplementary Prospectus, each of the parties that have been named as having consented to being named in the Prospectus have not withdrawn that consent.

7 Directors' authorisation

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors. In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn that consent.

This Supplementary Prospectus is signed for and on behalf of the Company by:



John Houston

Chairman and CEO

Dated: 29 June 2022