27 February 2020

Mr. Neel Bhowmick
ASX Compliance Pty Ltd
20 Bridge Street
Sydney NSW 2000

By Email

Dear Mr. Bhowmick

Response to ASX Appendix 4C Query

YPB Limited ("YPB" and, the "Company") refers to your letter dated 21 February 2020 ("ASX Letter") and provides the following responses to the questions raised in the letter.

1. **Does YPB expect that it will continue to have negative operating cash flows for the time being and, if not, why not?**

   YPB expects to have negative operating cash flows for the time being while it continues to implement a strategy aimed at commercialising its MotifMicro and Connect platform products. The strategy is comprised of, amongst other things, the following:

   - prioritising the commercialisation of MotifMicro and launching the next version of the Connect platform;
   - introducing more commercial trials of the MotifMicro technology with global brands and partners;
   - concentrating efforts and resources into core business activities; and
   - developing sales networks through partnerships and agents.

2. **Has YPB 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?**

   Yes, the Company is considering several avenues to raise funds as necessary to support the activities outlined in response to Question 1 above. It retains an investment bank as its capital markets advisor as one of these alternatives. The Company has successfully raised funds as necessary in the past and expects to be able to do so again in future.

3. **Does YPB expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

   Yes, YPB expects to be able to continue its operations and meet its business objectives based on the response to Question 2. In addition, YPB continues to take initiatives which aim to reduce operating costs and expects cash receipts from operations to increase as platform rollouts increase.

4. **Please confirm that YPB is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.**

   the Company confirms it is in compliance with the Listing Rules, and in particular Listing Rule 3.1.

5. **Please confirm that YPB's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of YPB with delegated authority from the board to respond to ASX on disclosure matters.**

   The responses to the above questions have been approved by the Board

For further information please contact:

Investor enquiries
investors@ypbsystems.com

21 February 2020

Mr Sebastian Andre
Company Secretary
YPB Group Limited
Level 29, 66 Goulburn Street
Sydney NSW 2000

By email:

Dear Mr Andre

YPB Group Ltd ('YPB'): Appendix 4C Query

ASX refers to YPB's Appendix 4C quarterly report for the period ended 31 December 2019 lodged with the ASX Market Announcements Platform and released on 31 January 2020 (the 'Appendix 4C').

ASX notes that YPB has reported:

- negative net operating cash flows for the quarter of $-1,275,000;
- cash at the end of the quarter of $774,000; and
- estimated cash outflows for the next quarter of $-1,146,000.

It is possible to conclude, based on the information in the Appendix 4C, that if YPB were to continue to expend cash at the rate indicated by the Appendix 4C, YPB may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks YPB to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does YPB expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has YPB 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?
3. Does YPB expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that YPB is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that YPB's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of YPB with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that YPB considers may be relevant to ASX forming an opinion on whether YPB is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEDT Thursday, 27 February 2020**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in YPB's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, YPB's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to YPB's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that YPB's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in YPB's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Neel Bhowmick
Adviser, Listings Compliance (Sydney)