

Appendix 4D - Half Year Report

1. Company details

Name of entity: YPB Group Ltd

ACN: 108 649 421

Reporting period: For the half-year ended 30 June 2022

Previous period: For the half-year ended 30 June 2021

2. Results for announcement to the market

Half year to 30 June 2022					Half year to 30 June 2021	
\$					\$	
Revenues from ordinary activities	Up	70,127	24%	to	362,705	292,578
Loss from ordinary activities after tax for the half-year attributable to the owners of YPB Group Ltd	Up	837,523	47%	to	(2,631,589)	(1,794,066)
Loss for the half-year attributable to the owners of YPB Group Ltd	Up	837,523	47%	to	(2,631,589)	(1,794,066)

Comments

The loss for the Consolidated Entity, after providing for income tax for the half year ended 30 June 2022 amounted to \$2,631,589 (30 June 2021: \$1,794,066). The operating loss includes significant items such as employee expenses, and research and development costs, which leaves an underlying cash outflow from operations of \$1,420,814 (30 June 2021: \$1,608,000). Revenue for the period was \$362,705 (30 June 2021: \$292,578) which represents a 24% increase on the prior period.

3. Net tangible liabilities

	30 June 2022 Cents	30 June 2021 Cents
Net tangible liabilities per ordinary security	(0.86)	(0.02)

The net tangible assets backing per ordinary security of (0.86) cents presented above is inclusive of right-of-use assets and lease liabilities. There are no right of use assets or leave liabilities recorded at 30 June 2022 and accordingly, no impact on the calculation. Net tangible assets are showing a negative value for the reporting and comparative periods due to many recorded assets being intangible.

4. Gain and loss of control over entities

During the period ended 30 June 2022, the Consolidated Entity restructured the legal entity organisation structure, and as a result, nTouch Agency Pty Ltd was deregistered (30 June 2021: nTouch IP Pty Ltd).

5. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

6. Dividend reinvestment plans

There are no dividend reinvestment plans for the half-year ended 30 June 2022 (30 June 2021: Nil).

7. Details of associates and joint venture entities

No changes since the previous annual report was released.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

There has been no change in foreign-owned subsidiaries to those reported for the year ended 31 December 2021. All group entities comply with International Financial Reporting Standards ('IFRS').

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The consolidated financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

10. Attachments

Details of attachment (if any):

The Interim Report of YPB Group Ltd for the half-year ended 30 June 2022 is attached.

11. Signed

A handwritten signature in black ink, appearing to read 'John Houston', is written over a horizontal line.

John Houston

Date: 31 August 2022



YPB Group Ltd

ACN: 108 649 421

Interim Report – 30 June 2022

The directors present their report and the consolidated financial statements of YPB Group Ltd (the "Company") and its controlled entities (the "Consolidated Entity") for the half-year ended 30 June 2022.

1. Directors and Secretary

For the period under review and covered by this report, the following persons were director of the Company. Directors have been in office since the start of the half-year to the date of this report, unless otherwise stated.

Executive Chairman

John Houston

Non-Executive Directors

Su (George) Su
Gerard Eakin

Company Secretary

Sebastian Andre (resigned on 8 August 2022)
Lucy Rowe (appointed on 8 August 2022)

2. Principal Activities

The principal activity of the Consolidated Entity during the half-year was as a sales, marketing, and developer of anti-counterfeiting, product authentication, and consumer engagement solutions to brand owners globally.

3. Review of Operations

The consolidated loss of the Consolidated Entity after providing for income tax amounted to \$2,631,589 (30 June 2021: \$1,794,066). The operating loss includes a number of significant cash items such as employee expenses, and research and development costs, which leaves an underlying cash outflow from operations of \$1,420,814 (30 June 2021: \$1,608,000). Revenue for the period was \$362,705 (30 June 2021: \$292,578), which represents a 24% increase over the comparative period.

The COVID-19 pandemic has had an adverse global economic impact and the Consolidated Entity has been actively working with its customers to assist them wherever possible and to monitor the potential risk for its revenue base. There does not appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at reporting date or subsequently as a result of the COVID-19 Pandemic. The Board continues to actively monitor the situation.

Significant Changes in State of Affairs

On 23 February 2022, 3,400,336,576 quoted options with an exercise price of \$0.005 expired with none being exercised.

On 28 March 2022, YPB received commitment to raise \$1,500,000 from sophisticated and professional investors, whereby YPB issued an aggregate of 1,500,000 convertible notes, together with 52,500,000 free attaching options. The issue of shares on conversion of the convertible notes and the issue of the options was subject to shareholder approval at the AGM 2022 on 30 May 2022. Subject to shareholder approval, the Company has also agreed to issue 1,800,000 shares and 52,500,000 options to Everblu, the lead manager to the convertible note raising.

On 30 May 2022, YPB shareholders approved the consolidation of its shares on the basis of 1 new share for every 25 existing shares held.

On 30 May 2022, 36,363,636 performance rights have been converted into 36,363,636 fully paid ordinary shares following vesting conditions met in accordance with shareholder approval obtained on 23 December 2021.

On 27 June 2022, YPB received commitment to raise \$500,000 from sophisticated and professional investors, whereby YPB issued an aggregate of 500,000 convertible notes, together with 17,500,000 free attaching options. The issue of shares on conversion of the convertible notes and the issue of the option was approved by the shareholders at the AGM 2022 on 30 May 2022. The Company has also agreed to issue 600,000 shares and 17,500,000 options to Everblu, the lead manager to the convertible note raising.

4. Events Subsequent to Balance Sheet Date

On 5 July 2022, the Company converted 2,000,000 convertible notes into shares. Together with the share issuing of 2,400,000 to Everblu, a total of 160,377,883 ordinary fully paid shares were issued.

On 6 July 2022, the remaining proceeds of \$326,000 were received from the convertible notes raised in June 2022.

On 7 July 2022, 140,000,000 of quoted options with an exercise price of \$0.0236 each were issued to the investors who participated in the March 2022 and June 2022 convertible note raises. The total value of these options, should they be fully exercised before the expiry date of 5 July 2024 is \$3,304,000.

Other than the above, no matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

5. Rounding of Amounts

The Company is an entity to which ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 applies, and accordingly, amounts in the consolidated financial statements and directors' report have been rounded to the nearest dollar.

6. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to Section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'John Houston', is written over a horizontal line.

John Houston
Executive Chairman

Dated: 31 August 2022

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
YPB GROUP LTD

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2022, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

PKF

PKF BRISBANE AUDIT



SHAUN LINDEMANN
PARTNER

31 AUGUST 2022
BRISBANE

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YPB Group Ltd

Consolidated statement of profit or loss and other comprehensive income / (loss)

For the half-year ended 30 June 2022

	Note	Half year to 30 June 2022 \$	Half year to 30 June 2021 \$
Revenue	4	362,705	292,578
Expenses			
Consulting		(711,297)	(163,945)
Depreciation and amortisation expense		(11,449)	(79,615)
Directors' fees		(40,000)	(40,000)
Employee benefits expense		(709,644)	(811,928)
Finance costs		(65,962)	(137,699)
Production costs		(18,214)	(17,424)
Rental expenses		(61,226)	(22,040)
Research and development costs		(305,968)	(201,567)
Marketing costs		(31,073)	(19,749)
Investor relations		(49,889)	(187,578)
Travelling expenses		(59,508)	(6,119)
Share-based payments		(388,123)	-
Regulatory expenses		(44,186)	(101,510)
Professional fees		(106,016)	(103,357)
Other expenses		(290,239)	(343,338)
Exchange gain/(loss)		(101,500)	149,225
Loss before income tax expense		(2,631,589)	(1,794,066)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of YPB Group Ltd		(2,631,589)	(1,794,066)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		376,044	(14,123)
Other comprehensive profit/(loss) for the half-year, net of tax		376,044	(14,123)
Total comprehensive loss for the half- year period attributable to the owners of YPB Group Ltd		(2,255,545)	(1,808,189)
		Cents	Cents
Basic and diluted earnings per share	12	(1.07)	(0.04)

The above consolidated statement of profit or loss and other comprehensive income / (loss) should be read in conjunction with the accompanying notes.

YPB Group Ltd
Consolidated statement of financial position
As at 30 June 2022

	Note	As at 30 June 2022 \$	As at 31 December 2021 \$
Assets			
Current assets			
Cash and cash equivalents		665,996	531,477
Trade and other receivables		298,524	321,403
Other assets		416,378	329,695
Inventories		196,066	209,277
		1,576,964	1,391,852
Non-current assets			
Plant and equipment		41,668	50,106
Intangibles	5	5,708,741	5,419,929
		5,750,409	5,470,035
Total assets		7,327,373	6,861,887
Liabilities			
Current liabilities			
Trade and other payables	6	2,027,526	1,476,033
Financial liabilities	7	1,708,082	-
		3,735,608	1,476,033
Total liabilities		3,735,608	1,476,033
Net assets		3,591,765	5,385,854
Equity			
Issued capital	8	81,846,527	81,773,800
Reserves	9	3,038,288	3,040,859
Accumulated losses		(81,293,050)	(79,428,805)
Total equity		3,591,765	5,385,854

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

YPB Group Ltd
Consolidated statement of changes in equity
For the half-year ended 30 June 2022

	Issued capital \$	Foreign currency translation reserve \$	Issued options \$	Share- based payment reserve \$	Accumulated losses \$	Total equity \$
Consolidated						
Balance at 1 January 2022	81,773,800	2,192,710	767,344	80,805	(79,428,805)	5,385,854
Loss after income tax benefit for the half-year	-	-	-	-	(2,631,589)	(2,631,589)
Other comprehensive profit for the half-year, net of tax	-	376,044	-	-	-	376,044
Total comprehensive profit/(loss) for the half- year	-	376,044	-	-	(2,631,589)	(2,255,545)
<i>Transactions with owners in their capacity as owners:</i>						
Performance right exercised during the half-year	72,727	-	-	(72,727)	-	-
Options lapsed during the half-year	-	-	(767,344)	-	767,344	-
Performance right issued during the half-year	-	-	-	461,456	-	461,456
Balance at 30 June 2022	81,846,527	2,568,754	-	469,534	(81,293,050)	3,591,765

YPB Group Ltd
Consolidated statement of changes in equity
For the half-year ended 30 June 2022

	Issued capital	Foreign currency translation reserve	Issued options	Share-based payment reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$
Consolidated						
Balance at 1 January 2021	77,664,696	2,940,898	2,040,000	-	(77,982,758)	4,662,836
Prior period adjustment ¹	-	-	-	-	29,216	29,216
Adjusted balance at 1 January 2021	77,664,696	2,940,898	2,040,000	-	(77,953,542)	4,692,052
Loss after income tax benefit for the year	-	-	-	-	(1,794,066)	(1,794,066)
Other comprehensive loss for the half-year, net of tax	-	(14,123)	-	-	-	(14,123)
Total comprehensive loss for the year	-	(14,123)	-	-	(1,794,066)	(1,808,189)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued, net of transaction costs	403,185	-	-	-	-	403,185
Options lapsed during the half-year	-	-	(765,000)	-	765,000	-
Options granted during the half-year	-	-	536,199	-	-	536,199
Options exercised during the half-year	750,000	-	(1,275,000)	-	1,275,000	750,000
Balance at 30 June 2021	78,817,881	2,926,775	536,199	-	(77,707,608)	4,573,247

Note 1: The prior period adjustment arose from YPB Limited ("YPB HK"), a wholly-owned subsidiary of the Consolidated Entity, resulting from the audit of its financial statements for periods 1 April 2020 to 31 December 2020 completed during 2021.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

YPB Group Ltd
Consolidated statement of cash flows
For the half-year ended 30 June 2022

	Half year to 30 June 2022 \$	Half year to 30 June 2021 \$
Cash flows from operating activities		
Receipts from customers	310,330	346,000
Payments to suppliers and employees	(1,701,144)	(1,847,000)
Interest received	-	-
Finance costs	(30,000)	(107,000)
	<hr/>	<hr/>
Net cash used in operating activities	(1,420,814)	(1,608,000)
Cash flows from investing activities		
Payments for plant and equipment	(3,152)	(7,000)
Proceeds on disposal of PPE	-	7,000
	<hr/>	<hr/>
Net cash used in investing activities	(3,152)	-
Cash flows from financing activities		
Proceeds from issue of shares (net of costs)	-	705,000
Proceeds from exercise of options	-	750,000
Proceeds from issue of convertible notes	1,574,000	-
Proceeds from borrowings	500,000	-
Payment of lease liabilities	-	(52,000)
Repayment of borrowings	(500,000)	-
	<hr/>	<hr/>
Net cash from financing activities	1,574,000	1,403,000
Net increase/(decrease) in cash and cash equivalents	150,034	(205,000)
Cash and cash equivalents at the beginning of the financial period	530,776	1,559,000
Effect on movements in exchange rates on cash held	(14,912)	-
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial period	665,898	1,354,000

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2022

Note 1. General information

These consolidated financial statements and notes to the consolidated financial statements cover YPB Group Ltd and the entities it controlled (the "Consolidated Entity" or "Group") at the end of, or during, the half-year. The separate financial statements of the parent entity, YPB Group Limited, have not been presented within this financial report as permitted by the Corporations Act 2001. The consolidated financial statements are presented in Australian dollars, which is YPB Group Ltd's functional and presentation currency.

The company is a listed public company incorporated and domiciled in Australia. Its registered office in Australia is Level 5, 126 Phillip Street, Sydney NSW 2000.

The consolidated financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2022.

Note 2. Significant accounting policies

These general purpose consolidated financial statements for the half-year ended 30 June 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose consolidated financial statements do not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, these consolidated financial statements are to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year, except as stated below.

New, revised or amending Accounting Standards and Interpretations adopted

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021.

The Group adopted all relevant new and amended accounting standards and interpretations issued by the Australian Accounting Standards Board that are effective for annual reporting periods beginning on or after 1 January 2022. None of the new standards or amendments to standards that are mandatory for the first time materially affected any of the amounts recognised in the period.

Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The following are the critical judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts recognised in the consolidated financial statements.

Impairment of Intangible Assets other than Goodwill

In the process of evaluating the potential impairment of intangible assets other than goodwill, the Consolidated Entity is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of the industry that is applicable to the underlying technology. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

The underlying technology of MotifMicro is still under constant development and therefore management has considered the carrying value of the patent licence rights to be supported through expected future generation of cash flows from the first-time adoption program with the current partners and additional partners in the pipeline. In addition, the technological milestone achievements during the period has also enhanced the intrinsic value of MotifMicro. However, the ongoing negative effects of COVID-19 on the business and global economy is causing a delay in the commercialisation of MotifMicro. Furthermore, management is exploring other business strategies to accelerate the development of MotifMicro that would support the carrying amount of the patent license rights.

Going concern

The financial statements have been prepared on a going concern basis.

The Directors note that the Group has continued to incur operating losses as it establishes its business model throughout various markets, performs internal restructuring, and improves the conversion rate of its order pipeline.

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2022

The group incurred an operating loss after tax for the half-year of \$2,631,589, had net cash outflows from operating activities of \$1,420,814 and a deficiency of current assets over current liabilities of \$2,158,644. As at 30 June 2022, the Group has cash and cash equivalents of \$665,996.

Notwithstanding this, the Group believes there are reasonable grounds that it will be able to pay its debts as and when they fall due, and on that basis the preparation of the consolidated financial statements on a going concern basis is dependent on the following points:

- The Directors have completed a reforecast of the cash flow for the remainder of the financial year, and for a period being not less than 12 months from the date of signing this report. This includes reliance on further capital raising activities via new equity placements by the end of 2022, showing positive cash balances which is supported by both the existing sales contracts as well as reflecting revenue growth expected from the sales pipeline.
- Reliance on further capital raising activities which have been undertaken subsequent to balance date, of which \$326,000 has been received in July 2022. A further placement is expected to be undertaken in the coming months.
- The Group is continuing to explore alternative funding mechanisms including securing strategic partnerships.

Based on the above, the directors consider the going concern basis of the Group is appropriate.

Note 3. Operating segments

The Consolidated Entity is organised into operating segments as outlined below.

Management determines operating segments based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the consolidated financial statements.

Types of products and services

For the half year ended 30 June 2022, management considers the Group to offer its client base a complete end-to-end service and product offering, hence considering its main operations to be represented by one business

The bundled "complete solution offering" encompasses a range of products and services which are available to customers, including:

- Digital engagement platform that provides brand engagement with end consumers to promote product authenticity;

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2022

- Covert forensic products which are invisible particles ('tracers') fused into a product or packaging during or after the manufacturing process and are detectable using YPB's proprietary scanner;
- Forensic laboratory services for the examination of counterfeit products;
- Security consulting services provided to governments, corporations and intellectual property owners for the deterrence of counterfeiting, grey markets, product diversions and fraud; and
- Brand protection labelling solutions effective for sellers, brands and product owners.

(a) Geographical information

In \$	Reportable segments				Total
	Australia	People's Republic of China	Thailand	United States of America	
Half-year to June 2022					
External revenue	191,063	169,123	-	-	360,186
Interest income	281	-	5	-	286
Other income	-	2,233	-	-	2,233
Total revenue	191,344	171,356	5	-	362,705
Half-year to June 2021					
External revenue	105,726	166,952	-	-	272,678
Interest income	954	-	7	-	961
Other income	-	6,008	12,931	-	18,939
Total revenue	106,680	172,960	12,938	-	292,578

(b) Assets

In \$	Reportable segments				Total
	Australia	People's Republic of China	Thailand	United States of America	
As at 30 June 2022					
Current assets	896,910	267,700	411,915	439	1,576,964
Non-current assets	-	11,260	24,260	5,714,889	5,750,409
Total assets	896,910	278,960	436,175	5,715,328	7,327,373
As at 31 December 2021					
Current assets	755,426	307,210	328,800	416	1,391,852
Non-current assets	-	11,920	29,585	5,428,530	5,470,035
Total assets	755,426	319,130	358,385	5,428,946	6,861,887

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2022

Note 4. Revenue

	Half year to 30 June 2022 \$	Half year to 30 June 2021 \$
Revenue		
Sale of goods and services	360,186	272,678
Other revenue		
Interest	286	961
Other income	2,233	18,939
	<u>362,705</u>	<u>292,578</u>

Note 5. Intangibles

	30 June 2022 \$	31 December 2021 \$
Goodwill – at cost	3,089,466	3,089,466
Less: Accumulated impairment losses	(3,089,466)	(3,089,466)
	<u>-</u>	<u>-</u>
Intellectual property – at cost	16,250,550	16,250,550
Less: Accumulated amortisation	(4,942,153)	(4,942,153)
Less: Accumulated impairment losses	(11,308,397)	(11,308,397)
	<u>-</u>	<u>-</u>
Customer relationship – at cost	206,000	206,000
Less: Accumulated amortisation	(28,000)	(28,000)
Less: Accumulated impairment losses	(178,000)	(178,000)
	<u>-</u>	<u>-</u>
Patent licence rights – at cost	8,651,473	8,213,892
Less: Accumulated impairment losses	(2,942,732)	(2,793,892)
	<u>5,708,741</u>	<u>5,420,000</u>

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2022

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial years are set out below:

Consolidated	Patent licence rights \$	Total \$
Balance at 31 December 2021	5,420,000	5,420,000
Balance at 1 January 2022	5,420,000	5,420,000
Effect of movement in exchange rates	288,741	288,741
Balance at 30 June 2022	5,708,741	5,708,741

Intellectual Property

In 2018, in reviewing the recoverable amount of the intellectual property, the carrying value was written to nil due to overhauls on the Group's core products and upgrades to the underlying technologies.

Patent Licence Rights

Effective in December 2017, the Group acquired MotifMicro's patented licence rights to develop and commercialise its secure smartphone readable authentication technology. The non-replicable invisible micro-barcode technology works whereby the smartphone becomes the authentication device for uncopiable, invisible and indestructible physical marking technology.

In February 2018, a specific milestone under the agreement was successfully achieved with MotifMicro under which an additional \$851,000 was payable to the vendors. The corresponding payable was settled via the issue of ordinary shares in October 2018.

As the technology was still in the development phase and under commercial trials during the period ended 30 June 2022, the patent licence rights have not been amortised. The progress of the MotifMicro development in 2022 was advanced through a number of technological achievements together with two customers that signed first-adopter agreements in 2019 to expedite its commercialisation in the market. The company is pursuing further opportunities to commercially release MotifMicro in the near future.

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2022

An independent valuation was conducted by Nexia Brisbane Forensics Pty Ltd ('Nexia') to perform a Value in Use ('VIU') valuation of the patent licence rights of MotifMicro for the year ended 31 December 2021. The independent valuation provided a valuation of \$5,420,000. As a result, an impairment loss expense of \$503,000 was recognised to write-down the patent licence rights to \$5,420,000 during that year.

The directors have applied the 'value in use' methodology to assess the carrying value of the patent licence rights at 30 June 2022. The half-year impairment assessment was based on a reforecast of the approved annual operating plan ('AOP') and the accompanying five-year outlook.

The key assumptions and results arising from the 'value in use' methodology, based on approved AOP, relating to the commercialisation of the technology include:

- Revenue growth from conversion of sales pipeline revised for FY2022 with an annual long-term growth of 12% until 2026 that follows the industry growth rate with a long-term annual growth rate of 2% (life of the patent licence rights) thereafter;
- Discounted cash flow modelling to 2035 (life of the patent licence rights) with no terminal value;
- A WACC of 25.77% (post-tax) and
- The group securing sufficient funding to continue as a going concern.

The valuation methodology has been updated as at 30 June 2022 to reflect updated forecasts and progress made on the MotifMicro technology.

The impairment testing indicated that the recoverable amount of the patent licence rights exceeds the carrying amount and therefore no impairment is considered necessary as at 30 June 2022.

The total impairment loss recorded as at 30 June 2022 is \$2,942,732 (30 June 2021: \$2,211,072), and this loss can be reversed in future accounting periods to the extent that future recoverable amounts support a higher carrying value.

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2022

Note 6. Trade and other payables

	As at 30 June 2022 \$	As at 31 December 2021 \$
Trade payables	752,439	658,490
Other payables and accruals	1,275,079	817,543
	<u>2,027,518</u>	<u>1,476,033</u>

Note 7. Financial liabilities

	As at 30 June 2022 \$	As at 31 December 2021 \$
Convertible notes (Sophisticated investors)	1,708,082	-

These convertible notes will accrue interest on their face value daily at an interest rate of 10% per annum.

As at 30 June 2022, \$34,082 (31 December 2021: nil) of convertible loan notes interest was accrued. The convertible notes will mature on the date that is six months from the date of issue.

Note 8. Equity – Issued Capital

	30 June 2022 Shares	31 December 2021 Shares	30 June 2022 \$	31 December 2021 \$
Ordinary shares – fully paid	246,168,270	6,117,833,701	81,846,527	81,773,800

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2022

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 January 2022	6,117,833,701	81,773,800
Consolidation 25:1	30 May 2022	244,713,348	81,773,800
Conversion of options	30 May 2022	1,454,922	72,727
Balance	30 June 2022	246,168,270	81,846,527

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 9. Equity – Reserves

		30 June 2022	31 December 2021
	Note	\$	\$
Issued options reserve	(a)	-	767,344
Share-based payment	(b)	469,534	80,805
Foreign currency translation reserve	(c)	2,568,754	2,192,710
		<u>3,038,288</u>	<u>3,040,859</u>

(a) Issued options reserve

The option reserve records items recognised as expenses on valuation of share options issued.

Details	Date	Options	\$
Balance	1 January 2022	3,464,336,576	767,344
Options expired	23 February 2022	(3,400,336,576)	(767,344)
Balance	23 February 2022	64,000,000	-
Options consolidated 25:1	30 May 2022	2,560,000	-
Balance	30 June 2022	<u>2,560,000</u>	<u>-</u>

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2022

(b) Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services rendered.

Details	Date	\$
Balance	1 January 2022	80,805
Performance Rights reversed	29 April 2022	(8,078)
Performance Rights issued under share-based payments	29 April 2022	389,534
Performance Rights converted to shares	30 May 2022	(72,727)
Performance Rights issued under share-based payments	30 May 2022	80,000
Balance	30 June 2022	<u>469,534</u>

(c) Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. Monetary items receivable from or payable to foreign operations whereby settlements to these receivables and payables are not planned nor likely to occur in the foreseeable future are classified as net investment in foreign operations. Exchange differences arising from monetary items that forms part of the Group's net investment in foreign operations are recognised as foreign currency translation reserve in equity.

Note 10. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2022

Note 11. Events after the reporting period

On 5 July 2022, the Company converted 2,000,000 convertible notes into shares. Together with the share issuing of 2,400,000 to Everblu, a total of 160,377,883 ordinary fully paid shares were issued.

On 6 July 2022, the remaining proceed \$326,000 was settled from the convertible notes raise in June 2022.

On 7 July 2022, 140,000,000 of quoted options with an exercise price of \$0.0236 each were issued to the investors who participated in the March 2022 and June 2022 convertible note raises. The total value of these options, should they be fully exercised before the expiry date of 5 July 2024 is \$3,304,000.

Other than the above, no matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 12. Earnings per share

	30 June 2022	30 June 2021
	\$	\$
Loss after income tax attributable to the owners of YPB Group Limited	(2,631,589)	(1,794,066)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	244,837,262	4,804,835,818
Weighted average number of ordinary shares used in calculating diluted earnings per share	244,837,262	4,804,835,818
	Cents	Cents
Basic/Diluted earnings per share (*)	(1.07)	(0.04)

(*) The current year EPS calculation was undertaken post completion of a share consolidation (refer Note 8).

There are no quoted options as at 30 June 2022. On 23 February 2022, 3,400,336,576 quoted options with an exercise price of \$0.005 expired with none being exercised.

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2022

Note 13. Related party transactions

	Transaction values for the period ended 30 June 2022 \$	Transaction values for the year 31 December 2021 \$
<i>Manifest Capital Management Pty Ltd</i> <i>(related entity of Gerard Eakin)</i>		
Investor Relations	19,996	60,000

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Other transactions with related parties

There were no other transactions with related parties for the half year ended 30 June 2022.

YPB Group Ltd
Directors' declaration
For the half-year ended 30 June 2022

In the directors' opinion:

- the attached consolidated financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached consolidated financial statements and notes give a true and fair view of the Consolidated Entity's consolidated financial position as at 30 June 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to Section 303(5)(a) of the Corporations Act 2001.

For and on behalf of the directors

A handwritten signature in black ink, appearing to be 'John Houston', written over a horizontal line.

John Houston
Executive Chairman

Date: 31 August 2022

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF YPB GROUP LTD

Conclusion

We have reviewed the accompanying half-year financial report of YPB Group Ltd ("the company"), which comprises the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of YPB Group Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Independence

In conducting our review, we have complied with the auditor independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor's Independence Declaration.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial statements which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Regulations 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the financial position as at 30 June 2022 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PKF

PKF BRISBANE AUDIT



SHAUN LINDEMANN
PARTNER

31 AUGUST 2022
BRISBANE