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ASX: YPB

ASX/MEDIA ANNOUNCEMENT

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YPB TO ACQUIRE PATENTED SMARTPHONE-READABLE AUTHENTICATION TECHNOLOGY

- **The ‘Holy Grail’: non-replicable identifier technology, readable by smartphone**
- **Award-winning, patented technology developed at Massachusetts Institute of Technology**
- **Potential to become global authentication standard**
- **Multiple end applications**
- **Highly complementary with current YPB offering**

YPB Group Limited (ASX:YPB) has signed a Letter of Intent (LOI) for the acquisition of Motif Micro Inc., a company commercializing secure, smartphone-readable microbarcode technology originally developed at the Massachusetts Institute of Technology (MIT). This represents a key step in the execution of YPB’s PROTECT, DETECT, CONNECT strategy.

Motif Micro’s platform is considered the ‘Holy Grail’ of non-replicable identifier technology due to its ability to uniquely encode products at the item level while maintaining ultralow cost, high physical security, exceptional visual appeal and reliable smartphone readout. With this technology, YPB will commence production of microparticle barcodes from proprietary polymer nanocomposites for authentication of a vast array of goods.

Full commercialisation is expected within twelve months with only modest capital expenditure. YPB via Motif Micro will hold the rights to a perpetual, exclusive world-wide license from MIT to develop and commercialize this technology.

YPB would acquire Motif Micro for A\$6.974m, of which A\$4.185m would be satisfied via the issue of YPB shares. The cash consideration of \$2.790m would be paid in 3 instalments over the 24 months from completion. The share-based consideration of 10,244,025 shares is priced at 1.15 times the 20 day VWAP (A\$0.4085) at the date of execution of the LOI. The vesting of such shares is subject to agreed milestones and 24 months escrow.

The technology was originally developed as a collaboration between researchers at MIT Lincoln Laboratory and the lab of Prof. Patrick Doyle, a professor of chemical engineering at MIT. Development funding was provided by the MIT Deshpande Center, as well as multiple U.S. Government agencies, including the National Science Foundation and the U.S. Air Force. Paul Bisso, the platform’s co-inventor and an MIT doctoral candidate, will join YPB to lead commercialization.

The economics of this microbarcode technology are highly favorable, and include low production line cost, low unit cost and industrial scalability, without sacrificing security. In addition, the ability to produce a broad spectrum of distinct particles with various shapes, sizes, physical properties and sensors will enable YPB to offer unique authentication solutions for each client or product.

Key commercial advantages include:

- Consumer-facing capability – most importantly, and unlike other non-replicable identifiers, Motif Micro's solution will be readable by a consumer smartphone
- Security – multiple layers of security can be embedded within each individual microparticle, making the microbarcodes impossible to reverse engineer
- Production – the technology is based on a cutting-edge microfluidic printing press that enables low cost production of the microbarcodes
- Specificity – microbarcodes are capable of lot-and item-level serialisation with a high degree of physical security
- Applications – the technology can be applied to almost any product, such as currency, 3D printed objects, any kind of packaging (i.e. food, pharma) and high end consumer goods

Motif Micro's micro-barcodes and YPB's core tracer technology are highly complementary. YPB's core tracer technology can be embedded into any medium at massive scale and is an ideal supply chain solution for binary authentication of products. Motif Micro's microbarcodes, in turn, can mass produce vast quantities of unique codes at ultralow cost, making them ideal for products that require or benefit from serialized or customized identification.

This fits neatly alongside YPB's core tracer and YPB's PROTECT DETECT & CONNECT end to end authentication solutions. In addition, YPB's Brand Reporter smartphone application and YPB Print Solutions will yield significant synergies with the Motif Micro technology, providing customers with a powerful authentication solution. Motif Micro's technology is particularly well-matched to U.S. government clients that demand a U.S. R&D/manufacturing base.

The microbarcode technology has been peer-reviewed in top scientific journals like *Science* and *Nature Materials*, has already won significant recognition for its commercial potential, and is covered by multiple U.S. and international patents, as well as closely held trade secrets.

The transaction is subject to YPB Board approval and the execution of binding documentation and is expected to be completed by early 2016. Professor Patrick Doyle of MIT, co-inventor of the technology and co-founder of Motif Micro, said: "We have been looking for a partner with the talent, reach and ambition to commercialise our technology on a global scale. This platform attracted significant (and unsolicited) venture capital interest on its own, but YPB's market position, vision and team represent an unparalleled opportunity in the industry. We're excited about the prospect of jointly realising the global potential of microbarcodes in the fight against counterfeiting."

YPB CEO and Executive Chairman John Houston commented: "The Motif Micro technology takes us towards the 'Holy Grail' of anti-counterfeiting: inexpensive, uncopiable, smartphone-readable barcodes that are visually attractive and fun as well as capable of engaging consumers. It works perfectly with our PROTECT DETECT CONNECT strategy and once fully commercialised, these microbarcodes will perfectly complement our mass-product tracer solution and enable us to provide clients with an even more comprehensive, market leading solution."

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About YPB

YPB Group (ASX: YPB) is a pioneer in advanced brand protection solutions. Listed on the Australian Securities Exchange, we are expanding our global footprint with an established presence in China, USA, Australia and South East Asia.

YPB's patented anti-counterfeit technology combined with its security packaging solutions, consulting and forensic services enables businesses to protect their high value brands from the risks of counterfeit and product diversion.

YPB's full range of services will give businesses the ability to cost effectively protect their brands, easily detect counterfeits and give them the opportunity to connect with their consumers about the authenticity of their brand.

PROTECT

Security print packaging and labeling

YPB offers a wide range of intelligent security packaging and labeling solutions that can be included into almost any material and is a cost effective brand protection solution for companies wanting to protect the integrity and value of their brands in high-risk markets.

IP solutions & forensic services

YPB's IP solution specialists will work with quality brands and Governments, to develop personalised brand protection strategies and solutions that will deliver real protection and safety for brands, products and consumers.

DETECT

Scanner and tracer protection solutions

YPB's patent protected state-of-the art tracer technology is invisible, cannot be copied or destroyed. Brand owners that include YPB's tracers in their packaging can use YPB's scanners to verify their product's authenticity. If a counterfeit is detected YPB's forensic services will consult with a brand owner to develop strategic solutions to protect the brand counterfeiting and product diversion.

CONNECT

Smartphone applications to detect and connect

YPB's sophisticated, user friendly and powerful smartphone applications allow brand owners and consumers to identify and report suspected counterfeit or divergent products and allows brands to connect and engage with consumers via QR codes, near field communication, track and trace, product scanning and consumer engagement. Giving brand owners valuable and actionable "big data" about their consumers and products through a powerful data analytics capability.

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