



Bubs Australia Limited
ACN 060 094 742
2-4/6 Tilley Lane, Frenchs Forest
NSW 2086 Australia

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31 January 2018

OPERATIONAL HIGHLIGHTS AND APPENDIX 4C QUARTERLY CASHFLOW STATEMENT

Bubs Australia Limited (ASX: BUB), producer of premium infant nutrition products and Australia's largest producer of goat dairy products, including Bubs® Goat Milk Infant Formula, submits its Appendix 4C Quarterly Cash Flow Statement for the second quarter, period ended 31 December 2017.

Q2 HIGHLIGHTS

- Bubs® Advanced Plus+ Goat Milk Infant Formula is now poised to become Australia's only vertically integrated producer of goat milk formula, following transformative acquisition of NuLac Foods
- Exclusive milk supply agreement providing security of locally sourced key ingredient from Australia's largest milking goat herd
- Strong recurring sales growth quarter on quarter across all channels, driven by Bubs® Infant Formula and China cross border e-commerce sales
- Q2 Gross Sales increased 79% to \$1.989 million, and was up 92% YTD, per comparable period last year
- Q2 Gross Profit improved 114% YTD, per comparable period last year

OPERATIONS

The major business development for the quarter was the completion of the acquisition of NuLac Foods on 19 December 2017, giving Bubs Australia a 'pathway to provenance' to become the only vertically integrated producer of goat milk infant formula in Australia, and the only Australian made goat milk formula sold in major supermarkets and pharmacies. NuLac Foods is Australia's largest producer of premium goat dairy products, including market leading goat milk powder brand, CapriLac®.

In addition, Bubs Australia has taken a 49.9% ownership stake in the dairy processing facility that manufactures NuLac Foods products, and has entered into a long-term milk supply agreement, providing exclusive access to Australia's largest herd of 6,500 milking goats, producing more than half of all Australia's goat milk.

This transformative acquisition guarantees sustainable supply of Australasia sourced goat milk, and control over the key base ingredient for Bubs® Infant Formula and NuLac Foods products. This strategic integration provides Bubs® with a pathway to provenance, enhancing the appeal to consumers domestically in China and across South East Asia; whilst increasing capacity to meet growing future demand, and the ability to meet changing market needs and projected regulatory measures.

Following the NuLac Foods acquisition, its co-founder John Gommans has joined the Board of Bubs Australia. He will be closely involved in the integration of the business and oversee the ongoing milk supply.



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CASH POSITION

Bubs Australia continues to maintain a strong balance sheet with A\$8.7 million in cash reserves as at 31 December 2017, with no debt outside of existing trade partners' payment terms.

During the second quarter, the Company successfully completed an institutional share placement to sophisticated and professional investors, raising A\$15 million (before costs). Subsequently, a Share Purchase Plan was offered to existing Bubs Australia shareholders, raising A\$5 million (before costs). Both the Placement and the Share Purchase Plan were heavily oversubscribed. The proceeds were used to partially fund the acquisition of NuLac Foods and 49.9% interest in their dairy production facility, which required a cash component of A\$25 million.

INVESTOR BRIEFING

The company continues to remain focused on its 'four pillars for growth' strategy, delivering strong operational performance throughout the quarter.

A report outlining the company's strategic progress and future business plans will accompany the Half Yearly Financial Report, to be lodged with the ASX on or before 28 February 2018.

END

Media and Investor Inquiries

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About Bubs Australia Limited (ASX: BUB)

Bubs Australia is engaged in the business of inspiring new generations of happy, healthy bubs through its range of Australian made premium infant nutritional and goat dairy products.

Founded in 2006 in Sydney, Bubs Australia develops and markets innovative infant nutrition products for the first 1,000 days of life, that give parents and their bubs reason to 'smile from the inside™.'

In 2017, Bubs Australia acquired NuLac Foods giving the company a 'pathway to provenance' to become Australia's only vertically integrated producer of goat milk infant formula, and the largest producer of goat dairy products in the country.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

BUBS AUSTRALIA LIMITED (ASX:BUB)

ABN

63 060 094 742

Quarter ended (Current quarter)

31 December 2017

Note 1 On the 19th December 2017 Bubs Australia Limited (BUB) completed a Share Placement & a Share Purchase Plan issuing 25,000,004 & 8,331,933 fully paid ordinary shares at a price of \$0.60c per share. A\$20 million total (before costs) was raised.

Note 2 On the 21st December 2017 Bubs Australia Limited (BUB) acquired 100% of NuLac Foods Pty Ltd and 49.9% of related entities. This Quarterly appendix 4c report includes Statement of Cashflows for NuLac Foods Pty Ltd from 21st December to 31st December 2017.

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,084	3,771
1.2 Payments for:	-	-
(a) research and development	-	(12)
(b) product manufacturing and operating costs	(3,166)	(5,786)
(c) advertising and marketing	(354)	(592)
(d) leased assets	-	-
(e) staff costs	(370)	(654)
(f) administration and corporate costs	(1,925)	(2,793)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	15
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material):	-	-
1.9 Net cash from / (used in) operating activities	(3,720)	(6,051)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(5)
(b) businesses (see item 10) – net cash acquired	(21,479)	(21,479)
(c) investments	(3,511)	(3,511)
(d) intellectual property	-	-
(e) other non-current assets: payments made in respect to 2.1(a)	-	-
2.2 Proceeds from disposal of:	-	-
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(24,990)	(24,995)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 Months) \$A'000
3. Cash flows from financing activities			
3.1 Proceeds from issues of shares		20,000	35,960
3.2 Proceeds from issue of convertible notes			
3.3 Proceeds from exercise of share options		-	-
3.4 Transaction costs related to issues of shares, convertible notes or options		(823)	(1512)
3.5 Proceeds from borrowings		-	-
3.6 Repayment of borrowings		-	-
3.7 Transaction costs related to loans and borrowings		-	-
3.8 Dividends paid		-	-
3.9 Other (provide details if material)		-	-
3.10 Net cash from / (used in) financing activities		19,177	34,448
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1 Cash and cash equivalents at beginning of quarter/year to date		18,242	5,307
4.2 Net cash from / (used in) operating activities (item 1.9 above)		(3,720)	(6,051)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		(24,990)	(24,995)
4.4 Net cash from / (used in) financing activities (item 3.10 above)		19,177	34,448
4.5 Effect of movement in exchange rates on cash held		-	-
4.6 Cash and cash equivalents at end of quarter		8,709	8,709
5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances		8,051	18,242
5.2 Call deposits		-	-
5.3 Bank overdrafts		-	-
5.4 Other - Solicitor's trust		658	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)		8,709	18,242
6. Payments to directors of the entity and their associates		Current quarter \$A'000	
6.1 Aggregate amount of payments to these parties included in item 1.2		70	
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		-	
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2			
Payments made in respect to director fees and salaries.			
7. Payments to related entities of the entity and their associates		Current quarter \$A'000	
7.1 Aggregate amount of payments to these parties included in item 1.2		646	
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		-	
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2			
Disbursements relating to Director International Business travel for Bubs Australia Ltd & Prepayment of service fees to related entity.			

8. Financing facilities available	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
Add notes as necessary for an understanding of the position		
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	2,000	2,000
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

NAB Bank Trade Finance 10.28% per annum unsecured

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(60)
9.2 Product manufacturing and operating costs	(4,000)
9.3 Advertising and marketing	(500)
9.4 Leased assets	(5)
9.5 Staff costs	(500)
9.6 Administration and corporate costs	(1,200)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(6,265)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	NulacFoods Pty Ltd.(100%) 49.9% of related entities	-
10.2 Place of incorporation or registration	Victoria	-
10.3 Consideration for acquisition or disposal	\$24,990m + 76,802,684 ordinary shares allotted	-
10.4 Total net assets / (deficiency)	\$499k (est)	-
10.5 Nature of business	Dairy Food Retailer	-

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Signed: _____ Dated: _____

Company Secretary

Print name: Jay Stephenson

Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- If this quarterly 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 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.
- 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.

+ See chapter 19 for defined terms

1 September 2016