



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

1800 2827 2878 (1800 BUBS AUST)
info@bubsaustralia.com

28 February 2018

2018 Half Year Financial Results

Bubs Australia (ASX: BUB), producer of premium infant nutrition products and Australia's largest producer of goat dairy products, including Bubs® Goat Milk Infant Formula and CapriLac®, submits the following Activities Report and auditor reviewed financial results for the half year ended 31 December 2017.

A PERIOD OF BUSINESS GROWTH AND STRUCTURAL ADVANCE

- **1H focus on expanding domestic market, the vital prerequisite for international expansion.**
- **Significant domestic growth in terms of supermarket and pharmacy footprint, wholesale distribution, product offering and revenue – accounting for 82% of 1H FY18 gross sales.**
- **Product mix led by Bubs® Infant Formula with gross sales +176% versus same period last year.**
- **Acquisition of NuLac Foods provides pathway to become Australia's only vertically integrated producer of goat milk infant formula: provenance and sustainability sought by key markets.**
- **Continued investment in personnel, marketing and distribution.**
- **Strong foundation for shifting 2H focus to accelerating volume in China.**
- **Strong capital base confers optionalities in strategic execution.**

Bubs Australia Chief Executive Officer, Nicholas Simms said: "The first half of the year has been a period of accelerating growth of Bubs domestic platform.

"We continued to make strong progress in building our distribution, and securing ranging with key retailers, such as the recent Woolworths announcement. We also gained further momentum in the pharmacy segment through our partnership with HealthOne and pharmaceutical retailers. These developments led to growth in domestic revenue doubling same period year on year.

"At the same time we have greatly expanded the e-Commerce distribution capacity for our emergent China business with expanded product representation on NetEase Kaola.com, VIPshop and Kidswant during 1H FY18, combined with signing an Agreement with JD.com this month.

"The successful acquisition of NuLac Foods in December 2017 created further options for growth with Bubs to become Australia's only vertically integrated producer of goat milk infant formula. We now have control and ownership from the farm gate, and the capacity to meet growing future demand derived from Australia's largest herd of milking goats and complimented by additional capacity from New Zealand.

"Most importantly, the NuLac Foods acquisition gives Bubs a secure 'pathway to provenance' increasing our appeal both domestically and in the Chinese market on which we will be increasing our focus in the second-half onward," Mr Simms said.



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Financial Performance

Bubs Australia continues to deliver consistent positive sales growth, quarter on quarter throughout FY17 and into 1H FY18.

- 1H Gross Sales was \$3.72 million, up 92% on same period last year, and up 44% on previous half.
- Strong recurring domestic performance, accounting for 82% of total 1H FY18 revenue.
- Growth was driven by Infant Formula sales accounting for 70% of total 1H FY18 product mix, up 176% same period last year.
- Statutory loss before tax of \$3.85 million. Increased costs relate to the NuLac Foods acquisition, capital raising and administration to support the strong growth.

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 \$2m debt facility taken from NuLac Foods acquisition.

Board & Executive Appointments

New Chair appointed

In August 2017, the Company appointed Mr Dennis Lin as Chairman of Board. Dennis is a Partner at BDO and their National Leader of China Advisory Services. He has practiced as both a Chartered Accountant and Solicitor in Australia, and specialises in commercial transactions, merger and acquisitions, and capital market activities between Chinese and Australian businesses. Dennis is fluent in both English and Mandarin.

John Gommans joins Board

In December 2017, John Gommans was appointed to the Board in the role of Executive Director. John was the co-founder and former CEO of NuLac Foods prior to the acquisition. He is considered to be a true pioneer in the formation of Australia's goat dairy industry and has decades of management experience in dairy farming, integrated supply chain management, and dairy manufacturing.

Group Financial Controller appointed

In February 2018, Iris Ren joined Bubs Australia management team in the role of Group Financial Controller, from KPMG's CFO Advisory team. In this role, she specialised in providing IFRS advisory services and transaction support to a range of companies to assist in a variety of Accounting and Finance roles. Prior to that, Iris worked for over 7 years in the assurance division of BDO and is a current member of the Institute of Chartered Accountants Australia. Iris is also fluent in both English and Mandarin.



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NULAC FOODS ACQUISITION & MILK SUPPLY AGREEMENT

On 20 December, Bubs Australia completed the acquisition of 100% of NuLac Foods, the owner of CapriLac® and Coach House Dairy® brands, and acquired 49.9% equity interest in their dairy processing facility. The acquisition was underpinned by an Agreement guaranteeing Bubs Australia exclusive rights to 100% of their goat milk supply from Australia's largest goat milking herd, and New Zealand operations. As well as exclusive milk supply, Bubs Australia has a call option over the farms themselves.

The Board is working with management to seamlessly integrate the businesses. Many synergies have been identified between the multiple brand portfolios in terms of retail sales, operations, marketing and administration, bringing efficiencies into the integrated business model and corporate structure.

The acquisition of NuLac Foods brings new revenue streams and additional growth drivers into the business and accelerates the Company's plans to be the leading Australian producer of goat dairy products, both for the domestic market and China where demand has grown well in excess of 30% per annum for the last three years.

With the acquisition, Bubs Australia has significantly expanded its product offering and domestic penetration with CapriLac® and Coach House Dairy® product lines not only ranged in Coles and Woolworths, but also providing the Company with new customers such as Aldi supermarkets, Coles Express and 7-Eleven convenience stores, as well as industrial customers.

IMPLEMENTATION OF KEY STRATEGIC PILLARS

In the 12 months since listing on the ASX, Bubs Australia has made significant progress against the four key pillars that underpin the Company's future growth strategy, including:

Increased Domestic Penetration

Improve availability of products through key domestic grocery and pharmacy retailer accounts, to gain market share by improved points of distribution.

Bubs has continued to make significant progress in expanding domestic distribution. Strong domestic presence and uptake by leading supermarkets, pharmacy chains, and wholesalers is seen as a prerequisite for building a sustainable business in China.

This has led to a continuous stream of account wins in Australia and a consequent substantial increase in footprint. Not counting the recently announced contract with Woolworths, Bubs® product can now be found in excess of 2,000 points of sale around Australia.



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Coles

Bubs® Infant Formula has been one of the fastest growing brands in the category, up 115% in last 13 weeks versus same period prior year (*Source: AC Nielsen scan data as at 31 December 2017*). In October 2017, Coles once again expanded Bubs® footprint increasing the total store count by 10% to 504.

Woolworths (from 2H FY18)

In February, the Company announced confirmation of ranging of Bubs® Infant Formula in Woolworths, the largest supermarket chain in Australia. Product is expected to be on-shelf in April 2018 in key stores with identified high demand for infant milk formula.

Costco

Bubs® Infant Formula sales in Costco's national wholesale catalogue continue to grow steadily and floor display ranging has expanded to Ringwood and Moorabbin warehouses, in addition to Auburn.

Pharmacy

In July 2017, the Company announced a partnership with HealthOne, Australia's leading healthcare field services provider. Since then pharmacy sales have grown 459%.

In August 2017, Bubs Australia entered into a wholesale Supply Agreement with Australian Pharmaceutical Industries (API). In combination with pre-existing agreements with other key national wholesale distributors of pharmaceutical products, including Sigma Healthcare and Symbion, the Company now has the ability to supply all pharmacies nationally.

In September 2017, Bubs Australia confirmed ranging with Pharmacy 4 Less chemists, with both Bubs® food and formula products now sold in all stores.

Aldi

In January 2018, CapriLac® fresh milk launched a trial into Aldi supermarkets in two states. Management are exploring further opportunities to partner with Aldi.

Enhanced Asian Focus

Build on Asian activities with key partners to leverage Bubs certified organic status and Australian provenance.

The primary focus for the first half has been on developing new direct partnerships and building upon existing partnerships with major Chinese e-Commerce platforms.

Total 1H FY18 China sales have grown 96% compared to same period last year and account for 13% of Bubs® group sales. Importantly, goat milk formula experiences significantly less competition and benefits from premium pricing. Growth has been driven by customer demand from direct partnerships and expansion of product offering with the following principal accounts:



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Netease Kaola.com

Netease remains a key customer of Bubs® Infant Formula and Bubs Organic® Baby Food pouches. In September 2017, the Company expanded the product portfolio available on the platform to include Bubs Organic® Baby Cereals and more recently, Kaola.com have confirmed ranging for CapriLac® Goat Milk Powder, which is expected to be available for sale on the platform over the coming months.

VIP

In September 2017, Bubs Australia entered into a direct International Supply Agreement with online marketplace giant VIPshop, with Bubs® entire range of infant formula, baby food pouches, cereals and snacks now available for sale on the platform.

Kidswant

In September 2017, Bubs Australia formed a direct partnership with Kidswant Children Products to sell Bubs® entire range of infant formula, baby food pouches, cereals and snacks on their leading 'Mother and Baby' e-Commerce platform with a membership of over 7 million new mothers.

Chemist Warehouse Tmall Global

In October 2017, Bubs Australia announced a new agreement with Chemist Warehouse to range Bubs® Infant Formula, Bubs Organic® Baby Cereals and Toothy Rusks® on their Tmall Global e-Commerce store.

JD.com

Bubs Australia recently announced the Company has entered into an International Supply Agreement with Chinese e-Commerce giant JD.com. Bubs® entire range of infant formula, baby food pouches, cereals and snacks, as well as CapriLac® goat milk powder are expected to be ranged on JD.com from March 2018.

Product Distribution in China

To date the Company's route to China has been via cross-border e-Commerce, whilst management has been engaged in securing import registration for all of Bubs® products and are pleased to report that Bubs® baby food pouches and cereals can now be imported through regular customs channels and sold in physical stores in China.

In addition, management are at an advanced stage of finalising contractual arrangements with a preferred CNCA licenced canning facility enabling them to submit an application for registering Bubs® Goat Milk Infant Formula products.

Principal progress and developments are:

Bubs® Baby Food pouches and cereals

In January 2018, Bubs Australia received certification from China Certification & Inspection Group Shanghai (CCIC) validating China Inspection and Quarantine (CIQ) declaration for the physical importation of Bubs® baby food pouches, cereals and snacks. This means these products can now be imported through regular customs channels and then sold in physical stores throughout China.



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In partnership with Brilite Nutritionals, Bubs Australia is now in discussion and commercial negotiations with key 'Mother and Baby' chains to commence trials of Bubs® baby food products. The company expects products to be available on China's retail shelves in Q4 FY18.

Bubs® Goat Milk Infant Formula

Groundwork on registration of Bubs® Infant Formula advanced during the period. As previously advised, the Chinese regulatory authority only permits canning facilities registered by Certification and Accreditation Administration of the People's Republic of China (CNCA) to submit an application to manufacture for up to three designated brands with unique formulations for China Food and Drug Administration (CFDA) registration. There are currently 13 licenced facilities in Australia with numerous other facilities in the process of being audited for additional licences.

Bubs Australia has nominated a preferred partner facility approved by the CNCA and is in ongoing discussions on eventual contractual arrangements. In addition, the Company is simultaneously making progress with meeting other regulatory requirements, including formulation and packaging identification to meet Chinese standards.

Given that Bubs® has a unique goat based formulation and influence over the key ingredient through the NuLac Foods transaction, as well as a strong domestic core business, the Company is confident of being able to secure a CNCA registered facility and subsequently commence the application submission process for CFDA registration.

Brand Awareness and Impact

Drive awareness and reaffirm brand credentials through brand refresh and investment to support growth.

Bubs® brand refresh, known internally as 'Project Smile,' has now been executed across all product lines and marketing materials, with a vast majority of inventory rotated in-store.

The Company continues to drive a digitally-led communications strategy by building communities of parents and syndicating content through influencers with social currency. Bubs Australia now has the largest social following in the baby nutrition category on Instagram, and the second largest on Facebook, with a combined community of over 100,000+ followers. This is underpinned with targeted display advertising and online content to reach consumers across country, channel and device.

Focus now moves to adapting brand and marketing assets to suit a Chinese audience, including articles and live-stream videos. This content will form the basis of a market focused digitally-led strategy across the relevant channels, primarily WeChat. Chinese Key Opinion Leaders and brand ambassadors will be an integral component of the China marketing strategy moving forward.

The Company has commenced developing a brand strategy and refreshed identity for newly acquired brands, Caprilac® and Coach House Dairy®.



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Product Innovation and Development

Innovation to cater for all stages of development during the first 1,000 days of a parent's journey to nourish their baby, from newborn to toddler.

During the 1H Bubs Australia successfully launched a new range of organic baby cereals in six varieties, and lactose free 'Toothy Rusks[®].' These new lines have been well accepted in both Australia and China, with Cereals sales up 238% versus same period prior year.

The Company has commenced developing a roadmap and concept development for new product innovation across Coach House Dairy[®] and CapriLac[®] brand portfolios.

OUTLOOK

Bubs Australia will continue to actively progress its 'four pillars for growth' strategy into the second half, giving particular focus to building sales momentum in China through the daigou community, as well as cross-border e-Commerce and physical import distribution channels.

Both the domestic and Chinese appetite for goat milk formula continue to be strong and growing. Integration of the NuLac Foods brands and business operations will therefore be paramount to maximise the additional revenue streams and growth drivers now available to the Company, whilst bringing productivity, scalability and efficiencies to the business.

Otherwise Bubs Australia makes no financial forecasts. The company is still in development stage, continuing to invest heavily in building its distribution capability, building brand awareness and developing product, as well as integrating the NuLac Foods business.

EY, the auditor for Bubs Australia, has reviewed financial results for the half year ended 31 December 2017 and these are attached.

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 consumers through its range of Australian made premium infant nutritional and specialty 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 4D

Half year report

Name of entity

Bubs Australia Limited

ABN	Half yearly (tick)	Preliminary final (tick)
63 060 094 742	✓	

The information disclosed in the Appendix 4D should be read in conjunction with the most recent annual financial report

1. Details of reporting period

Current reporting period	31 December 2017
Previous corresponding period	31 December 2016

2. Results for announcement to the market

					31 December 2016		31 December 2017
2.1	Total Revenue	up	86.9%	from	\$1,747,848	to	\$3,266,788
2.2	Loss after income tax benefit	up	10.2%	from	(\$3,534,952)	to	(\$3,894,332)
2.3	Loss after income tax benefit attributable to the members of Bubs Australia Limited	up	10.2%	from	(\$3,534,952)	to	(\$3,894,332)

2.4	Dividends (distributions)	Amount per security	Franked amount per security
Current period:			
Interim dividend for the half year ended 31 December 2017		-	-
Final dividend for the year ended 30 June 2017		-	-
Previous corresponding period:			
Interim dividend for the half year ended 31 December 2016		-	-
Final dividend for the year ended 30 June 2016		-	-
2.5	Record date for determining entitlements to the dividend:	Refer section 5.0	

2.6	Brief explanation of any of the figures reported above and commentary on the results for the period: Refer to the directors' report – Operating and financial review on page 4 of the 2017 Interim Report.
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3. Net tangible assets per security

	30 June 2017 Cents	31 Dec 2017 cents
Net tangible asset backing per ordinary security	2.62	3.04

4. Control gained or lost over entities during the period

On 20 December 2017, the Company acquired:

- 100% of the issued shares in Nulac Foods Pty Ltd;
- 49.9% of the issued shares in UphamGo Australia Pty Ltd;
- 49.9% of the issued shares in New Zealand Nutritional Goat Company Limited;
- 49.9% of the issued shares in Cambria Management Company Pty Ltd; and
- 49.9% of the issued units in Cambria Unit Trust.

The transaction included a 100% acquisition of a goat dairy sales and marketing business, and 49.9% investments in goat milk processing businesses in Australia and New Zealand, and a milk processing facility located in Keysborough, Victoria.

100% acquisition of Nulac Foods Pty Ltd is treated as a business combination under AASB 3 *Business Combinations*. As a result, the consolidated financial statements include the transactions of Nulac Foods Pty Ltd from the date of acquisition (20 December 2017) up to the half year ended 31 December 2017. This transaction resulted in a corporate transaction accounting expense of \$893,998.

The Company's investments in UphamGo Australia Pty Ltd, New Zealand Nutritional Goat Company Limited, Cambria Management Company Pty Ltd and Cambria Unit Trust are accounted for as joint ventures under AASB 128 *Investments in Associates and Joint Ventures*.

5. Details of dividends / distributions

Current period

No interim dividend was declared for the half year ended 31 December 2017.

For the year ended 30 June 2017, no final dividend was declared.

Previous corresponding period

No interim dividend was declared for the half year ended 31 December 2016.

For the year ended 30 June 2016, no final dividend was declared.

6. Details of dividend / distribution reinvestment plan

Bubs Australia Limited and Controlled Entities**Directors' declaration****31 December 2017**

Not applicable.

7. Details of associates and joint venture entities

As at 31 December 2017, the Company has the following joint venture entities:

- 49.9% of the issued shares in UphamGo Australia Pty Ltd;
- 49.9% of the issued shares in New Zealand Nutritional Goat Company Limited;
- 49.9% of the issued shares in Cambria Management Company Pty Ltd; and
- 49.9% of the issued units in Cambria Unit Trust.

For further details refer Note 4.

8. Accounting standards used by foreign entities

Not applicable.

9. Qualification of audit / review

- ☐ The accounts have been audited.
☐ The accounts are in the process of being audited or subject to review.

- ☒ The accounts have been subject to review.
☐ The accounts have not yet been audited or reviewed.

10. Attachments

Details of attachments (if any):

The interim report of Bubs Australia Limited for the half year ended 31 December 2017 is attached.

11. Signed

Dennis Lin
Chairman

28 February 2018

Bubs Australia Limited and Controlled Entities
ACN 060 094 742

Interim Report – 31 December 2017

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This general purpose interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2017 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.

Bubs Australia Limited and Controlled Entities
Corporate Directory
31 December 2017

Current Directors

Dennis Lin

Kristy-Lee Newland Carr

Matthew Reynolds

Johannes Gommans

Chairman and Non-executive Director

Executive Director

Non-executive Director

Non-executive Director

Company Secretary

Jay Stephenson

Registered Office

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Telephone: 1300 850 595 (investors within Australia)

Telephone: +61 (0)3 9415 4000

Email: web.equities@computershare.com.au

Website: www.investorcentre.com

Auditors

Ernst & Young

200 George Street

Sydney NSW 2000

Telephone: 02 9248 5555

Australian Stock Exchange

ASX Code: BUB

Bubs Australia Limited and Controlled Entities

Directors Report

31 December 2017

The directors present their report on the consolidated entity consisting of Bubs Australia Limited (the 'Company' or 'BUBS') and the entities it controlled (the 'Group') at the end of, or during, the half year ended 31 December 2017.

Directors

The following persons were directors of Bubs Australia Limited during the whole financial period and up to the date of this report unless otherwise stated:

Dennis Lin
Kristy-Lee Newland Carr
Matthew Reynolds
Johannes Gommans (appointed 20 December 2017)

Operating and financial review

The operating loss of the Group for the period is \$3.9m (2017: \$3.5m loss). Included in this loss is \$893,998 (2017: \$1,722,893) of Corporate Transaction Accounting Expenses relating to an acquisition referred to below and in Note 7.

Loss per share has reduced during the period to \$0.01 per share (2017: \$0.02). No dividend has been declared.

The Infant Food Holding Co Pty Ltd ("IFHC") was founded in 2005 by Kristy-Lee Newland Carr and Anthony Gualdi who wanted to offer a quality organic alternative to conventional baby food. Based in Sydney, IFHC has partnered with leading Australian manufacturers to launch infant food products that sit side by side with established multinational brands. During the year ended 30 June 2017, IFHC was acquired by Bubs Australia Limited ('Bubs') through a reverse takeover. As set out in the "significant changes in the state of affairs and composition of the entity" section below, during the period Bubs successfully completed the acquisition of 100% of NuLac Foods Pty Ltd (goat dairy sales and marketing business) and a 49.9% investment in various entities owning goat milk processing businesses in Australia and New Zealand, including a milk processing facility located in Keysborough, Victoria (the 'acquisition').

Additional capital raising activities were undertaken during the period which raised \$36.0m and allowed the Group to fund, the acquisition via a cash settlement and issue of capital, as well as positioning the Group in a strong cash position for 2018. The acquisition that occurred during the period is in line with the Group's strategy to vertically integrate their operations and expand products. Goodwill of \$72.0m arising on the acquisition (as described in Note 7) is attributable to the synergies expected to be realised through Bubs' growing sales channels and customer relationships, and growth in the domestic and China marketplaces.

Bubs produces Australian-made, certified organic infant food products under the Bubs®, CapriLac® and Coach House Dairy® brands.

Bubs Australia Limited and Controlled Entities

Directors Report

31 December 2017

Operating and financial review (cont'd)

The award-winning Bubs Organic® range includes first and second stage fruit and vegetable purees, protein meals, cereals and healthy toddler snacks. The recipes are based on organic ingredients, such as blueberries, chia and fig, with an allergy-friendly menu including gluten-free ancient grains, such as quinoa and amaranth, to cater for the rise in food intolerances in children.

Bubs also produces BUBS® ADVANCED PLUS+ Goat Milk formula, which is made in Australia and available in 3 stages from infant to toddler. It blends goat whey protein with a balanced daily intake of essential fatty acids, vitamins, amino acids and prebiotics, including Omega-3 DHA and Omega-6 ARA, and Prebiotics GOS and FOS. The NuLac acquisition provides a secure 'pathway to provenance' to become Australia's only vertically integrated producer of goat milk infant formula, increasing the brands appeal both domestically and internationally

CapriLac® and Coach House Dairy® award winning fresh milks, yoghurts and milk powders are made in Australia using premium ingredients including our exclusive fresh goat milk from Australia's largest herd of milking goats and complimented by additional capacity from New Zealand.

Bubs Australia products are sold Australia-wide in thousands of retail outlets, including major and independent supermarkets, convenience stores, organic and health food stores, and pharmacies (including Coles, Big W, Costco, Chemist Warehouse, 7 Eleven, Sigma and Symbion). The products are also sold on leading Chinese e-commerce platforms include Kaola NetEase, RED (Xiaohongshu), JD.com, Tmall Global and VIP, and are exported to South-East Asian and Middle East markets, including Singapore, Hong Kong and the United Arab Emirates.

In addition to trading platforms, the Group has an agreement with Brilite Nutritionals (Shanghai) Co., Ltd ("Brilite") as its exclusive partner and an authorised distributor in China, with a primary focus on mother and baby stores. Brilite has undertaken to provide material assistance with finalising regulatory approvals for all of Bubs infant formula and organic baby food products.

Significant Changes in the state of affairs and composition of the company

On 8 September 2017, the Company successfully completed a share placement of 35,245,022 new ordinary shares at a price of \$0.45 per share, raising \$16.0m (before costs) from sophisticated and professional investors.

On 20 December 2017, the Company successfully completed:

1. a share purchase plan of 8,331,933 new ordinary shares at a price of \$0.60 per share, raising \$5.0m (before costs) from eligible shareholders; and
2. a share placement of 25m new ordinary shares at a price of \$0.60 per share, raising \$15.0m (before costs) from sophisticated and professional investors.

Bubs Australia Limited and Controlled Entities

Directors Report

31 December 2017

Significant Changes in the state of affairs and composition of the company (cont'd)

On 20 December 2017, the Company successfully completed the acquisition of:

1. 100% of the issued capital in NuLac Foods Pty Ltd;
2. 49.9% of the issued capital in Uphamgo Australia Pty Ltd;
3. 49.9% of the issued units in Cambria Unit Trust;
4. 49.9% of the issued capital in Cambria Management Company Pty Ltd; and
5. 49.9% of the issued capital in New Zealand Nutritional Goat Company Limited.

Consideration for the acquisition was by way of \$25.0m in cash and the allotment of 76,802,684 ordinary shares (equating to 19.9% of the Company's issued share capital) to the seller. The shares have been placed into voluntary escrow, 50% to be released 12 months after the date of completion and the remaining 50% to be released 24 months from the date of completion. Certain terms restrict the disposal of these shares subject to escrow.

Results for announcement to the market

The Group achieved total revenue of \$3,266,788 (31 December 2016: \$1,747,848) and a net loss after tax for the half year ended 31 December 2017 was \$3,894,332 (31 December 2016 loss: \$3,534,952). Net operating cash outflows were \$5,600,647 (31 December 2016: outflows of \$1,478,463) and as at 31 December 2017, the Group held cash and cash equivalents of \$8,693,245 (30 June 2017: \$5,306,746).

Rounding off of amounts

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the half-year financial report are rounded off to the nearest \$1 (where rounding is applicable).

Dividends

No dividends have been paid or declared since the start of the financial year.

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 page 7 and forms part of this report.

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

On behalf of the directors



Dennis Lin
Chairman
Brisbane

Dated: 28 February 2018

Auditor's Independence Declaration to the Directors of Bubs Australia Limited

As lead auditor for the review of Bubs Australia Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, 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.

This declaration is in respect of Bubs Australia Limited and the entities it controlled during the financial period.



Ernst & Young



Daniel Cunningham
Partner
28 February 2018

Independent Auditor's Review Report to the Members of Bubs Australia Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Bubs Australia Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year 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 Australian Accounting Standards and the *Corporations Act 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 Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

The Ernst & Young logo is written in a cursive, handwritten style.

Ernst & Young

A handwritten signature in black ink, which appears to read 'Daniel Cunningham'.

Daniel Cunningham
Partner
Sydney
28 February 2018

Bubs Australia Limited and Controlled Entities
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2017

	Notes	Consolidated	
		Dec 2017 \$	Dec 2016 \$
Revenue		3,249,070	1,744,222
Purchases and changes in trading stock		(2,562,297)	(1,345,989)
Other income		1,890	3,626
Share of net profit / (loss) of joint ventures accounted for using the equity method		15,828	-
Distribution and selling costs		(214,374)	(133,180)
Employee costs		(1,149,686)	(692,961)
Marketing and promotion costs		(397,763)	(352,294)
Occupancy costs		(54,373)	(40,373)
Administrative and other costs		(1,778,900)	(387,728)
Share-based payment expenses	6	(74,459)	(561,769)
Corporate Transaction Accounting Expense	7	(893,998)	(1,722,893)
Depreciation and amortisation		(74,394)	(53,250)
Net interest income / (expense)		12,076	(1,767)
Loss before tax		(3,921,380)	(3,544,356)
Income tax benefit		27,048	9,404
Loss for the year		(3,894,332)	(3,534,952)
Other comprehensive income		-	-
Total comprehensive loss for the year		(3,894,332)	(3,534,952)

Loss per share

Basic (loss) per share (dollars)	11	(0.01)	(0.02)
Diluted (loss) per share (dollars)	11	(0.01)	(0.02)

The accompanying notes form part of these financial statements.

Bubs Australia Limited and Controlled Entities
Consolidated Statement of Financial Position
As at 31 December 2017

		Consolidated	
	Notes	Dec 2017 \$	June 2017 \$
Assets			
Current assets			
Cash and cash equivalents		8,693,245	5,306,746
Trade and other receivables		3,428,948	908,712
Other assets		1,171,103	459,911
Inventories		5,842,203	984,968
Total current assets		19,135,499	7,660,337
Non-current assets			
Plant and equipment		59,179	66,026
Investments in joint ventures	7	2,311,149	-
Intangible assets	4	81,178,528	1,275,447
Total non-current assets		83,548,856	1,341,473
Total assets		102,684,355	9,001,810
Liabilities			
Current liabilities			
Trade and other payables		4,078,804	1,100,168
Borrowings		2,000,000	-
Provisions		127,766	177,830
Total current liabilities		6,206,570	1,277,998
Non-current liabilities			
Trade and other payables		1,265,247	-
Deferred tax liabilities		2,372,290	199,338
Total non-current liabilities		3,637,537	199,338
Total liabilities		9,844,107	1,477,336
Net assets		92,840,248	7,524,474
Equity			
Issued capital	5	104,218,575	15,082,928
Options reserve	6	636,228	561,769
Accumulated losses		(12,014,555)	(8,120,223)
Total equity		92,840,248	7,524,474

The accompanying notes form part of these financial statements.

Bubs Australia Limited and Controlled Entities
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2017

	Issued Capital \$	Options Reserve \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2016	8,400,000	-	(3,060,981)	5,339,019
Loss for the half year	-	-	(3,534,952)	(3,534,952)
Total comprehensive loss for the half-year	-	-	(3,534,952)	(3,534,952)
Issue of shares	6,804,862	-	-	6,804,862
Issue of options	-	561,769	-	561,769
Balance at 31 December 2016	15,204,862	561,769	(6,595,933)	9,170,698

	Issued Capital \$	Options Reserve \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2017	15,082,928	561,769	(8,120,223)	7,524,474
Loss for the half year	-	-	(3,894,332)	(3,894,332)
Total comprehensive loss for the half-year	-	-	(3,894,332)	(3,894,332)
Issue of options	-	74,459	-	74,459
Issue of shares on acquisition of NuLac Foods Pty Ltd (refer Note 7)	54,529,906	-	-	54,529,906
Issue of shares – Capital Raising (refer Note 5)	35,959,420	-	-	35,959,420
Capital raising costs (refer Note 5)	(1,353,679)	-	-	(1,353,679)
Balance at 31 December 2017	104,218,575	636,228	(12,014,555)	92,840,248

The accompanying notes form part of these financial statements.

Bubs Australia Limited and Controlled Entities
Consolidated Statement of Cash Flows
For the half year ended 31 December 2017

		Consolidated	
	Notes	Dec 2017 \$	Dec 2016 \$
Cash flows from operating activities			
Receipts from customers		2,166,266	1,672,904
Payments to suppliers and employees		(7,777,203)	(3,153,226)
Interest received		10,290	1,859
Net cash used in operating activities		(5,600,647)	(1,478,463)
Cash flows from investing activities			
Purchases of property, plant and equipment		(18,994)	-
Proceeds from disposal of property, plant and equipment		-	(32,328)
Payments for subsidiaries net of cash acquired	7	(22,704,280)	-
Payments for interests in Joint Ventures	7	(2,295,321)	-
Purchase of intangible assets		-	(1,040)
Cash acquired from reverse acquisition		-	5,510,699
Net cash provided by / (used in) investing activities		(25,018,595)	5,477,331
Cash flows from financing activities			
Proceeds from issue of shares		35,959,420	-
Share issue expenses		(1,353,679)	-
Repayment of borrowings		(600,000)	(4,141)
Proceeds from borrowings		-	-
Net cash (used in) / provided by financing activities		34,005,741	(4,141)
Net increase in cash and cash equivalents		3,386,499	3,994,727
Cash and cash equivalents at the beginning of the period		5,306,746	2,081,606
Cash and cash equivalents at the end of the period		8,693,245	6,076,333

The accompanying notes form part of these financial statements.

Bubs Australia Limited and Controlled Entities

Notes to the Financial Statements

31 December 2017

Note 1. General information

The interim financial report covers Bubs Australia Limited as a consolidated entity consisting of Bubs Australia Limited and the entities it controlled for the half year ended 31 December 2017. The interim financial report is presented in Australian dollars, which is Bubs Australia Limited's function and presentational currency.

Bubs Australia Limited ('Bubs') is a listed public company limited by shares, incorporated and domiciled in Australia. A description of the nature of the Group's operations and its principal activities is included in the directors' report, which is not part of the financial report.

The interim financial report was authorised for issue, in accordance with a resolution of directors, on 28 February 2018. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Act 2001, as appropriate for for-profit entities.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the financial report of Bubs Australia Limited for the year ended 30 June 2017 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange listing rules and the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

There has been no restatement of prior period balances.

Going Concern

The accounts have been prepared on the going concern basis. This assumes that the consolidated entity will be able to pay its debts as they fall due, in the normal course of business.

Changes in accounting policies, accounting standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2017. All applicable new standards and interpretations issued since 1 July 2017 have been adopted. There was no significant impact on the Group.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statements
31 December 2017

Note 3. Accounting Policies

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statements
31 December 2017

Note 4. Intangibles

	Consolidated	
	Dec 2017 \$	June 2017 \$
Patents, trademarks and software	52,188	52,188
Less accumulated amortisation	(21,826)	(15,220)
	30,362	36,968
Brand name (NuLac)	4,500,000	-
Brand name	591,634	591,634
	5,091,634	591,634
Customer list	265,731	265,731
Less accumulated amortisation	(230,621)	(204,048)
	35,110	61,683
Recipes	47,740	47,740
Less accumulated amortisation	(41,424)	(36,649)
	6,316	11,091
Customer (NuLac)	3,500,000	-
Less accumulated amortisation	(10,548)	-
	3,489,452	-
Goodwill	73,429,834	1,478,251
Less impairment	(904,180)	(904,180)
	72,525,654	574,071
	81,178,528	1,275,447

	Goodwill \$	Brand name \$	Other \$	Total \$
Movements in carrying amount				
Balance at 1 July 2016	574,071	591,634	183,362	1,349,067
Additions	-	-	990	990
Amortisation expense	-	-	(74,610)	(74,610)
Balance at 30 June 2017	574,071	591,634	109,742	1,275,447
Additions (refer Note 7)	71,951,583	4,500,000	3,500,000	79,951,583
Amortisation expense	-	-	(48,502)	(48,502)
Balance at 31 December 2017	72,525,654	5,091,634	3,561,240	81,178,528

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statements
31 December 2017

Note 4. Intangibles (cont'd)

On 20 December 2017, the company successfully completed the acquisition of 100% of the issued capital of NuLac Foods Pty Ltd and a 49.9% investment in various entities. Goodwill of \$72.0m was recognised on acquisition. Refer to note 7 for details.

Management has undertaken an assessment of their forecast for the year ending 30 June 2018, that was used in the FY17 impairment assessment and consider this forecast achievable.

Note 5. Issued capital

	Dec 2017	June 2017
	\$	\$
384,205,527 (30 June 2017 238,820,888) fully paid ordinary shares	104,218,575	15,082,928

	Shares	\$
Movement in share capital		
Balance at 1 July 2016	25,000	8,400,000
Deemed reverse acquisition on Bubs Australia Limited by IFHC	75,140,888	6,804,862
Issue of shares to IFHC Vendors as part of reverse acquisition	163,400,000	16,340,000
Elimination of the acquisition of IFHC by Bubs Australia Limited	(25,000)	(16,340,000)
Placement of shares	280,000	28,000
Share issue transactions costs	-	(149,934)
Balance at 30 June 2017	238,820,888	15,082,928
Issue of shares to NuLac Foods Pty Ltd Vendors as part of acquisition	76,802,684	54,529,906
Options exercised 17 November 2017	5,000	-
Placement of shares 20 December 2017	8,331,933	4,999,160
Share purchase plan 20 December 2017	25,000,000	15,000,000
Share purchase plan 8 September 2017	35,245,022	15,960,260
Share issue transactions costs	-	(1,353,679)
Balance at 31 December 2017	384,205,527	104,218,575

Fully paid ordinary shares carry one vote per share and carry right to dividends.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statements
31 December 2017

Note 6. Options reserve

The options reserve is used to recognise the grant date fair value of options issued to employees but not exercised. The movement in the options reserve is as follows:

	Options #	\$
Balance at 1 July 2016	-	-
Options issued during the period:	-	-
- Exercisable at \$0.10 employee options expiring 20.12.2019	3,578,108	213,330
- Exercisable at \$0.10 consultant options expiring 20.12.2019	5,844,242	348,439
Balance at 30 June 2017	9,422,350	561,769
Options issued during the period:		
- Exercisable at \$0.10 employee options expiring 19 January 2021	3,578,108	31,911
- Exercisable at \$0.10 employee options expiring 19 January 2021	2,385,405	21,274
- Exercisable at \$0.10 employee options expiring 19 January 2021	2,385,405	21,274
Balance at 31 December 2017	17,771,268	636,228

The employee options are exercisable as follows:

Options on issue at 30 June 2017:

- Employee options of 3,578,108: These options were granted prior to 30 June 2017 and the related share based payment expense was recorded in the year ended 30 June 2017. They are immediately exercisable with no required service period and do not expire on termination of employment; and
- Consultant options of 5,844,242: These options were granted prior to 30 June 2017 and the related share based payment expense was recorded in the year ended 30 June 2017. These options have a vesting condition that the share price of Bubs Australia Limited must be at least 12.5 cents before they are exercisable. There is no required service period for the consultant options.

Options issue during the period:

- 3,578,108: vest on the achievement of \$15m in gross sales or \$500,000 in EBIT and expire on termination of employment;
- 2,385,405: vest 3 months after issue and on the achievement of \$30m in gross sales, or \$2m in EBIT and expire on termination of employment; and
- 2,385,405: vest 3 months after issue and on the achievement of \$50m in gross sales and \$4m in EBIT and expire on termination of employment.

The fair value of the options granted was measured using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statements
31 December 2017

Note 6. Options reserve (cont'd)

The details of the fair value of the options issued during the period is as follows:

	Employee options	Employee options	Employee options
Exercise price (\$)	0.10	0.10	0.10
Share price at date of issue (\$)	0.79	0.79	0.79
Grant date	14 December 2017	14 December 2017	14 December 2017
Expected volatility (%)	90%	90%	90%
Expiry date	19 January 2021	19 January 2021	19 January 2021
Expected dividends	Nil	Nil	Nil
Risk free interest rate	2.08%	2.08%	2.08%
Value per option (\$)	\$0.7106	\$0.7106	\$0.7106
Number of options	3,578,108	2,385,405	2,385,405
Total value of options	\$2,542,620	\$1,695,080	\$1,695,080

Bubs Australia Limited and Controlled Entities

Notes to the Financial Statements

31 December 2017

Note 7. Acquisition of subsidiary and Equity accounted investee

Summary of acquisition

On 20 December 2017, Bubs Australia Limited ('Bubs') acquired:

- 100% of the issued shares in NuLac Foods Pty Ltd;
- 49.9% of the issued shares in Uphamgo Australia Pty Ltd;
- 49.9% of the issued shares in New Zealand Nutritional Goat Company Limited;
- 49.9% of the issued shares in Cambria Management Company Pty Ltd; and
- 49.9% of the issued units in Cambria Unit Trust.

The transaction included a 100% acquisition of a goat dairy sales and marketing business, and 49.9% investments in goat milk processing businesses in Australia and New Zealand, and a milk processing facility located in Keysborough, Victoria.

Bubs' investments in Uphamgo Australia Pty Ltd, New Zealand Nutritional Goat Company Limited, Cambria Management Company Pty Ltd and Cambria Unit Trust are accounted for as joint ventures under AASB 128 *Investments in Associates and Joint Ventures*.

As the acquisition of the business has only recently been completed, it has been accounted for on a provisional basis using the acquisition method of accounting. Bubs is currently undertaking further assessment of the fair value of consideration and the net assets acquired.

Purchase Consideration

The estimated fair value of the purchase consideration as at the date of acquisition is as follows:

Purchase consideration	\$
Cash	25,000,000
Deferred consideration ¹	1,127,595
Deferred cash adjustment ²	(214,935)
Ordinary shares issued	54,529,906
Total Purchase Consideration	80,442,566
1	Refer to note (i) below
2	Refer to note (ii) below

The fair value of the 76,802,684 shares issued as part of the consideration (\$54,529,906) was based on the published share price on 20 December 2017 of \$0.71 per share.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statements
31 December 2017

Note 7. Acquisition of subsidiary and Equity accounted investee (cont'd)

Assets and Liabilities Acquired

The provisional fair value of the assets and liabilities recognised as a result of the acquisition are as follows:

	\$
Cash and cash equivalents	399
Trade receivables	1,065,737
Inventories	3,766,687
Other current assets	86,444
Intangible assets: brands and trademarks	4,500,000
Intangible assets: customer relationships	3,500,000
Investments in joint ventures	2,295,321
Trade and other payables	(2,523,605)
Trade refinance facility	(2,000,000)
Deferred tax liability	(2,200,000)
Net Assets	8,490,983
Total Purchase Consideration	80,442,566
Goodwill	71,951,583

The goodwill is attributable to the synergies expected to be realised through Bubs' growing sales channels and customer relationships, and growth in the domestic and China marketplaces. It will not be deductible for tax purposes.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statements
31 December 2017

Note 7. Acquisition of subsidiary and Equity accounted investee (cont'd)

Other information

(i) Deferred consideration

Deferred consideration of up to \$1,488,327 is payable in cash in the event that any of the 9,417,350 Bubs options outstanding as at 20 December 2017 are exercised, to adjust for the dilution of the consideration shares. Payments are due to be made within 30 days of the relevant option exercise date. The estimated exercise date of the options is their expiry date of 20 December 2019, and the expected payment date is 17 January 2020.

The fair value of the deferred consideration of \$1,127,595 was estimated by calculating the present value of future expected cash flows. The estimates are based on a discount rate of 14.3% and an assumed payment date of 17 January 2020.

(ii) Deferred cash adjustment

A deferred cash adjustment is expected to be made in March 2018 relating to a working capital adjustment based on the values of certain accounts in the balance sheet of NuLac Foods Pty Ltd as at the acquisition date, including inventory, receivables and trade and other payables. The adjustment has been estimated as a cash payment to Bubs of \$214,935.

(iii) Acquired receivables

The fair value of acquired trade receivables was \$1,065,737. This amount is expected to be collected in full.

(iv) Transactions recognised separately from the acquisition

- (a) Acquisition-related costs of \$893,998 that were not directly attributable to the issue of shares are included in Corporate Transaction Accounting Expense in the Consolidated statement of profit or loss and in operating cash flows in the Consolidated statement of cash flows.
- (b) A total amount of up to \$13.4 million is payable by Bubs in relation to Uphamgo Australia Pty Ltd upon the future satisfaction of certain performance targets, including production, specification, quality assurance and continuous employment related targets. This amount includes up to \$6.7 million payable following the achievement of the performance targets in the year ending 20 December 2018, and up to \$6.7 million payable following the achievement of the performance targets in the year ending 20 December 2019. These payments are not contingent consideration as defined in the Australian Accounting Standards, and accounted for in accordance with *AASB119 – Employee Benefits*, as expenses relating to future activities including continuing services of employees of Uphamgo Australia Pty Ltd. \$299,186, representing the expense from the day of the acquisition to 31 December 2017 has been recorded as Employee costs in the Consolidated Statement of Profit or Loss.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statements
31 December 2017

Note 7. Acquisition of subsidiary and Equity accounted investee (cont'd)

(v) Revenue and profit contribution

The acquired business of NuLac Foods Pty Ltd contributed revenues of \$173,666 and net loss of \$58,827 to the group for the period from 21 December to 31 December 2017. The Joint Ventures contributed net profit of \$15,828 for the period from 21 December to 31 December 2017.

Calculation of pro-forma revenue and profit for the period ended 31 December 2017 as if the acquisition had occurred on 1 July 2017 is impracticable due to the significant estimates required for retrospective restatement following a significant restructure of the operations of NuLac Foods Pty Ltd undertaken prior to the date of acquisition.

Purchase consideration – cash outflow

	\$
Cash consideration	25,000,000
Cash balances acquired	(399)
Net outflows of cash – investing activities:	24,999,601

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statements
31 December 2017

Note 8. Related party transactions

a. Legal parent entity

Bubs Australia Limited is the ultimate parent of the Group.

Legal subsidiaries

	Country of Incorporation	Principal Activity	Class or Shares	% Owned Dec 2017	% Owned June 2017
The Infant Food Holding Co. Pty Limited	Australia	Holding Company	Ordinary	100%	100%
The Infant Food Co. Pty Limited	Australia	Trading Company	Ordinary	100%	100%
Bubs IP Pty Ltd (formerly Bubs Australia Pty Limited)	Australia	Holder of IP and trademarks	Ordinary	100%	100%
NuLac Foods Pty Ltd	Australia	Trading Company	Ordinary	100%	-

b. Accounting subsidiaries

	Country of Incorporation	Principal Activity	Class or Shares	% Controlled Dec 2017	% Controlled June 2017
Bubs Australia Limited (formerly Hillcrest Litigation Services Limited)	Australia	Non-trading Holding Company	Ordinary	-	-
The Infant Food Co. Pty Limited	Australia	Trading Company	Ordinary	100%	100%
Bubs IP Pty Ltd (formerly Bubs Australia Pty Limited)	Australia	Holder of IP and trademarks	Ordinary	100%	100%
NuLac Foods Pty Ltd	Australia	Trading Company	Ordinary	100%	-

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statements
31 December 2017

Note 8. Related party transactions (cont'd)

c. Transactions with related parties

The following transactions occurred with related parties:

Payments for other expenses

		Consolidated	
	Note	Dec 2017 \$	Dec 2016 \$
Payment for other expenses			
Lease of premises in Narrabeen that is leased by Anthony Gualdi		-	19,934
Professional services	1	305,625	-
Purchase of materials from Cibus Goats (Australia) Pty Ltd	2	236,590	-
Product service fee payable to Uphamgo Australia Pty Ltd	3	381,861	-
Prepayment of product service fee paid to Uphamgo Australia Pty Ltd	3	600,000	-
Payments to related parties		1,524,076	19,934

1. One of the Directors is a partner in an accounting firm. The Company contracted professional services from the accounting firm to the amount of \$305,625 during the period, with an outstanding balance at 31 December 2017 of \$121,880.
2. Johannes Gommans was appointed Director of the Company on 20 December 2017. Mr Gommans is also a director in Cibus Goats (Australia) Pty Ltd. The Company purchased raw materials from Cibus Goats (Australia) Pty Ltd to the amount of \$236,590 during the period 21 December 2017 to 31 December 2017. As at 31 December 2017, the outstanding amount payable is \$556,080 which includes \$236,590 purchased materials during the period 21 December 2017 to 31 December 2017 and purchases prior to that period.
3. The Company acquired 49.9% of Uphamgo Australia Pty Ltd on 20 December 2017 – refer Note 7. The amount of product service fee outstanding at 31 December 2017 is \$381,861.

All of the above transactions were considered to be on an arms' length basis.

Note 9. Events after the reporting period

There has been no matter or circumstance arisen since 31 December 2017 that has significantly affected, or could significantly affect the reported results from operations or financial position for the period then ended.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statements
31 December 2017

Note 10. Segment information

The Group has identified its operating segments based on the internal reports that are provided to the Chief Executive Officer, on a regular basis and in determining the allocation of resources. Management continually assesses the Company's segments and has identified a single operating segment being the manufacture and sale of infant food.

Accordingly, the financial information presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position is the same as that presented to the Chief Executive Officer, deemed as the Chief Operating Decision Maker.

Given the acquisition of NuLac Foods Pty Ltd was so close to period end, the financial information presented to the Chief Operating Decision Maker did not change. The group will go through a process to determine their segment information in the coming months.

The geographic information below further analyses the group's revenue by the Company's country domicile and other countries. In presenting the following information, the revenue has been based on the geographic location of the customers.

Revenue (by region)	Consolidated	
	Dec 2017 (6 months) \$	June 2017 (12 months) \$
Australia	2,654,070	3,047,924
China	475,000	582,722
Other International	120,000	314,609
	3,249,070	3,945,255

The Group has one (June 2017: one) external customer who generated greater than 10 percent of its revenues. For the period ended 31 December 2017, the revenue for this customer amounted to \$1,681,484 (June 2017: \$2,090,515).

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statements
31 December 2017

Note 11. Earnings per share

	Dec 2017 \$	Dec 2016 \$
a. Reconciliation of earnings to profit or loss		
Loss for the year	(3,894,332)	(3,534,952)
Loss used in the calculation of basic and diluted EPS	(3,894,332)	(3,534,952)

	Dec 2017 No.	Dec 2016 No.
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	267,242,808	164,216,749

	Dec 2017 \$	Dec 2016 \$
c. Loss per share		
Basic loss per share (dollars per share)	(0.01)	(0.02)
Diluted loss per share (dollars per share)	(0.01)	(0.02)

- d. As at 31 December 2017, the Group had 17,771,268 unissued shares under options (31 December 2016: 9,422,350). The Group does not report diluted earnings per share on annual losses generated by the Group. During the half year ended 31 December 2017 the Group's unissued shares under option were anti-dilutive.

Note 12. Financial assets and financial liabilities

For all financial assets and financial liabilities the carrying value is considered to be a reasonable approximation of fair value due to their short-term nature.

Note 13. Commitments and contingencies

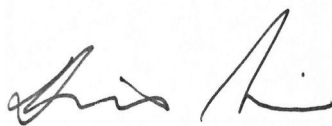
Except for the amounts owing as disclosed in Note 7, the group has no other commitments as at 31 December 2017.

Bubs Australia Limited and Controlled Entities
Director's Declaration
31 December 2017

In the opinion of the Directors of Bubs Australia Limited:

- a) The consolidated financial statements and notes of Bubs Australia Limited are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half year ended on that date; and
 - ii. Complying with Accounting Standard AASB 134: *Interim Financial* reporting and the *Corporations Regulations 2001*; and
 - iii. The financial statements and notes comply with International Reporting Standards issued by the International Accounting Standards Boards; and
- b) 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 the directors:

A handwritten signature in black ink, appearing to read 'Dennis Lin', is written over a light blue rectangular background.

Dennis Lin
Director

28 February 2018