



Bubs Australia Limited
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BUBS STRATEGIC PARTNERSHIP WITH BEGA (TATURA) TO PRODUCE GOAT INFANT FORMULA DIRECTLY FROM FRESH AUSTRALIAN MILK

- *Bubs enters a Supply Agreement with Tatura to convert fresh goat milk directly from farm gate into Infant Formula nutritional base in one step, without intermediate spray dry to whole milk powder.*
- *Process delivers fresher product, improved nutritional and taste profile, and better solubility.*
- *An Australian first, only made possible by milk supply chain under Bubs control.*
- *Will qualify Bubs® Formula averaging 70% Australian ingredients under Country of Origin labelling.*
- *Reduces overall production cost, shortens cash cycle and lead time for finished products.*
- *Enhanced formulation with increased levels of prebiotics (GOS) to assist digestibility.*
- *Commercial production commencing March 2019.*

Sydney 27 February 2019: Bubs Australia Limited (**ASX: BUB**) announces it has entered into a long-term strategic supply partnership with Tatura Milk Industries (**Tatura**), a wholly owned subsidiary of Bega Cheese Limited (**ASX: BGA**), with an option to renew for a further three years.

Tatura has been manufacturing high quality infant formula products for the domestic and export markets for over 25 years. Bubs® products will be produced at their Tatura facility located in Victoria and thus close to major sources of fresh goat milk. The nutritional wet blending of raw milk with other ingredients, and subsequent spray drying, will be carried out at Tatura's state-of-the-art facility and then canned at Bubs' existing CNCA licenced manufacturing partner, Australian Deloraine Dairy.

Mrs Kristy Carr, Bubs Australia Founder and Chief Executive said: "Now we have reached scale, we are delighted to partner with Tatura, one of Australia's largest and most reputable infant formula manufacturers. Being able to produce our goat infant milk formula in a single step directly from farm gate is an 'Australian first' for goat dairy, that is only made possible because we have exclusive ownership of fresh goat milk from the largest milking goat herds in Australia.

"Conventionally raw milk from multiple sources is converted to powder, then rehydrated (often months later) and wet mixed with additional ingredients and nutrients, and then spray dried again. The one-step nutritional blending and conversion of our own exclusive goat milk supply by Tatura will bypass the intermediate step delivering a fresher product, an improved nutritional and taste profile, and better solubility when made up for consumption.

"Importantly, the one-step conversion generates a number of critical efficiencies for Bubs: the production and ingredient cost are significantly reduced, making the new production method margin accretive. As well, production lead times are cut, and so inventory is better managed and cashflow is improved.

Successful trials have been completed, with the initial commercial production commencing in March.

Bega Chief Executive Officer, Paul van Heerwaarden, said: "We are excited to be partnering with Bubs Australia in this new venture. We have been working closely with Bubs to develop an infant formula of the highest integrity and quality aimed at satisfying the increasing demand for both goat milk formula and a product that can be genuinely positioned as Australian. We look forward to helping Bubs achieve its growth ambitions."



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The enhanced formulation will contain higher levels of prebiotics (GOS) to aid digestion, in addition to Omega-3 DHA and Omega-6 ARA.

Mrs Carr said that with this development, the Company is tapping into the demand of Australian premium infant nutritional products.

"Parents in Australia and abroad are looking for authentic provenance and traceability when it comes to infant nutritionals. With the goat milk supply chain under our control, and using only Australian fresh goat milk, we will be able to label the product with '*Made in Australia from average 70% Australian ingredients*,' which will be unrivalled in this market. We aim to further increase our Australian sourcing of total ingredients to over 90% within 12 months," said Mrs Carr.

Bubs® goat milk products are ranged in Coles, Woolworths, Big W, Costco, and pharmacies throughout Australia, as well as leading eCommerce platforms in China, including Tmall, JD.com, Kaola and VIP.

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About Bubs Australia Limited

Founded in 2006 in Sydney, Bubs Australia (ASX: BUB) is engaged in the business of *inspiring new generations of happy, healthy bubs* through its range of Australian made premium infant nutrition products. Bubs® speciality infant formula and organic baby food caters for a child's first 1,000 days of life.

Bubs Australia is the leading producer of goat dairy products in Australia with exclusive milk supply from the largest milking goat herd in the country, and Australia's only vertically integrated producer of goat milk infant formula.

Products are widely sold in major supermarkets and pharmacies throughout Australia, as well as exported to China, South East Asia, and the Middle East.

Consumer Website: bubsaustralia.com
Investor Centre: investor.bubsaustralia.com