



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 July 2017

QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

Bubs Australia (ASX:BUB), producer of Australian made premium infant formula and organic baby food products, submits the following Activities Report and Appendix 4C Cash Flow Statement for the fourth quarter, period ended 30 June 2017.

STRONG RECCURRING REVENUE GROWTH AND CONTINUING INVESTMENT IN BRAND DEVELOPMENT AND ROUTE TO MARKET CAPABILITY

Highlights

Bubs Australia has delivered consistent positive sales growth, quarter on quarter throughout FY17.

- Gross revenue for the fourth quarter was \$1.41 million, up 19% on the previous quarter, and up 35% on same period the previous year.
- Growth driven by increased domestic distribution in major grocery and pharmacy channels.
- Since listing on the ASX in January 2017, the Company has approximately doubled the number of stores in which Bubs products are sold in domestically.
- Domestic sales accounted for 77% of quarterly sales revenue, with 18% generated from China cross-border e-commerce sales, and the remaining 5% from other markets.
- Annual domestic revenue growth continues; up 33% versus the previous year at the end of the fourth quarter.
- Investment in developing new products to enable our product innovation strategy.
- Continued investment in building international channel capacity, including agreements with Kaola NetEase and RED.
- Announcement of strategic partnership with Brilite Nutritionals to achieve regulatory approval & distribute Bubs to Mother and Baby stores in Mainland China.

Cash Position

Bubs Australia continues to maintain a healthy balance sheet with A\$5.3 million in cash reserves as at 30 June 2017, with no debt outside of existing trade partners.



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CEO Announcement

On 8 June Bubs Australia announced the appointment of Mr Nicholas Simms as Chief Executive Officer. Mr. Simms is a Consumer Goods specialist with over two decades of experience in management positions within leading FMCG companies, including Mars Inc., HJ Heinz, PZ Cussons and Five:am Organics.

IMPLEMENTATION OF KEY STRATEGIC PILLARS

In the six 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:

1. Increased Domestic Penetration

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

A strong domestic market is paramount to our overall business strategy. We are pleased to report domestic sales continue to increase, up 30% compared to the same quarter last year. Domestic growth was driven by improved sales velocity and promotional investment in key retail accounts, as well as realised sales generated from store count increases in Coles and Big W, and new business wins established in third quarter with Costco, Chemist Warehouse, and leading pharmacy wholesalers, Sigma and Symbion.

More recently, Bubs Australia announced the appointment of HealthOne, Australia's leading healthcare field services company, to provide pharmacy sales, merchandising and key account management to pharmacies nationwide.

2. Enhanced Asian Focus

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

The primary business focus for the fourth quarter has been the development of the Company's route to market strategy for physical export of Bubs products into China.



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Appointment of Chinese Partner

On 8 June, Bubs Australia announced it had entered into an Agreement with Brilite Nutritionals to be appointed an exclusive import partner and authorised distributor in Mainland China. The primary focus for this distribution footprint is the key Mother and Baby physical retail stores, which make up the largest sales channel of infant formula in China.

Brilite Nutritionals has commenced the process to secure regulatory approvals for physical import of Bubs infant formula and baby food products into Mainland China. Subsequent to regulatory approval, Brilite will initially supply Bubs products to its network of over 2,000 Mother and Baby stores with a phased approach following a trial period. By providing direct access to physical Mother and Baby stores; Bubs Australia will move further up the value chain, retaining control and transparency of inventory, pricing, and retail activities.

The partnership with Brilite Nutritionals will accelerate distribution plans, and assist in identifying the most suitable partners to execute Bubs strategy, specifically in relation to critical in-country resources including field services and retail management, in-market logistics, digital marketing and social communities, customer relationship management and e-Commerce partners to manage Bubs Australia's pre-approved flagship store on the Alibaba Tmall global platform.

Bubs Australia is well advanced with CIQ regulatory submissions for its Chinese labeled infant formula products, and continues to review and progress CNCA approved canning facility discussions.

New Partnerships with Major Chinese e-Commerce Platforms

During the quarter, Bubs Australia entered into key strategic partnerships with major e-Commerce platforms in China and commenced direct supply of Bubs products. Only a small portion of sales from these new agreements was captured in the fourth quarter, with forecasted sales to be realised from July 2017 onwards.



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RED (Xiaohongshu, 小红书)

Bubs Australia was the first Australian company to directly enter into a Merchant Agreement with RED, the largest and fastest growing social commerce and consumer review application in China with over 40,000,000 registered users.



RED CEO, Mr Mao Wenchao, with Bubs Australia Founder Kristy Carr, and CEO Nicholas Simms, at the official signing ceremony in Beijing.

NetEase Kaola (kaola.com)

On 14 June Bubs Australia signed a strategic Agreement with NetEase Kaola, a major platform in China with the highest market share among China's cross-border retail import e-commerce business. Under the Agreement, Bubs products will be accessible to 15 million targeted customers seeking quality international brands. During the official signing ceremony, Bubs live stream event with Kaola's CEO attracted over 1.3 million views.



Netease Kaola CEO, Ms Zhang Lei, with Bubs Australia Founder Kristy Carr, and CEO Nicholas Simms, at the official signing ceremony in Sydney.

Bubs Australia has also established a service arrangement with a leading cross border global shipping service to provide drop-shipping capabilities to fulfill cross-border e-Commerce orders directly to consumers in China, enabling improved control over pricing and inventory management.

Bubs Australia continues to progress strategic discussions and negotiations with targeted e-Commerce platforms to establish additional trading agreements with relevant parties.



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3. Brand Awareness and Impact

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

Following the successful launch of Bubs Organic[®] new pouch baby food 'smile' packaging, the refreshed contemporary design is now being rolled out across Bubs other product lines and point of sale materials.

Bubs Australia continues to implement its highly productive digitally led communication strategy, boasting the second largest social community in the baby food and formula category, with a combined following in excess of 67,000 fans across social media platforms Facebook and Instagram.

Bubs[®] social influencer (KOL) activities were enhanced in the fourth quarter, delivering reach to of over 2.5 million targeted consumers and experienced high levels of engagement, generating momentum and 'mum-to-mum' word of mouth.

Bubs[®] social content strategy was underpinned with targeted display advertising, using rich data to digitally reach targeted consumers across country, channel and device.

4. Product Innovation and Development

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

Bubs Australia has developed a pipeline of new nutrition products for every stage of baby's development throughout their first 1,000 days, catering to multiple consumption occasions.

Development of Bubs Organic[®] new lines of organic food products were completed during the fourth quarter, with production partners secured and successful trials conducted. The new product range is expected to be in-store and online in the coming months.

Investment in demand driven supply chain capability, continuity of supply of raw materials, and optimisation of working capital, has remained a strong focus during the quarter with significant progress being made, particularly in relation to goat milk solids.



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Bubs Australia Chief Executive, Nicholas Simms said, "We are delighted with the progress made this quarter. Domestic expansion is on track with realised sales delivering an annual top line growth of 33% percent.

"We are confident that our new highly regarded Chinese partnerships, provide us with a strong business foundation to activate our route to market strategy in Mainland China."

Bubs Australia Appendix 4C Quarterly Cash Flow Statement for the period ended 30 June 2017 is attached. The Report was lodged with the ASX on 28 July 2017.

Full Year financial results and a more detailed Business Update will be released during the week commencing 28 August 2017.

END

Media enquiries and Investor Inquiries:

GRACosway
Deanne Curry
Ph. 0414 388 997

About Bubs Australia Limited

Bubs Australia is engaged in the business of inspiring new generations of happy, healthy bubs through its premium range of Australian made organic baby food and infant milk formula products.

Based in Sydney Australia, Bubs Australia develops and markets innovative infant nutrition products that give mums and their bubs reason to 'smile from the inside™.'

For general information please contact:

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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)

30 June 2017

Note 1 On 20 December 2016 Hillcrest Litigation Services Limited (HLS) acquired 100% of the ordinary share capital and voting rights of The Infant Food Holding Co. Pty Limited (IFHC) as described in the prospectus issued on 11 November 2016. Under AASB 3 *Business Combinations* this is treated as a 'reverse acquisition', whereby the accounting acquirer is deemed to be IFHC and HLS is deemed to be the accounting acquiree. As a result, the Consolidated statement of cash flows comprises the cash transactions of IFHC for the year to 30 June 2017 as well as the cash transactions of HLS from the date of acquisition (20 December 2016) up to the period ended 30 June 2017. This transaction resulted in a non-cash corporate transaction accounting expense of \$1,722,893 and \$5,510,699 of cash being acquired.

Consolidated statement of cash flows

	Current quarter \$A'000	Full Year (12 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,895	4,700
1.2 Payments for:	-	-
(a) research and development	(32)	(72)
(b) product manufacturing and operating costs	(976)	(3,281)
(c) advertising and marketing	(164)	(798)
(d) leased assets	-	-
(e) staff costs	(475)	(1,356)
(f) administration and corporate costs	(585)	(1,424)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	(11)	(3)
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	(347)	(2,233)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	34	(5)
(b) businesses (see item 10) – net cash acquired	-	5,511
(c) investments	-	-
(d) intellectual property	(39)	(40)
(e) other non-current assets: payments made in respect to 2.1(a)	139	-
2.2 Proceeds from disposal of:	-	-
(a) property, plant and equipment	-	1
(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	134	5,467

Consolidated statement of cash flows	Current quarter \$A'000	Full Year (12 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	28
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	-	(2)
3.5 Proceeds from borrowings	(27)	(33)
3.6 Repayment of borrowings	-	(6)
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	(27)	(9)
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	5,547	2,082
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(347)	(2,233)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	134	5,467
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(27)	(9)
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	5,307	5,307
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	5,307	5,547
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,307	5,547
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		-
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	Nil	

8. Financing facilities available Add notes as necessary for an understanding of the position	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
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.		

N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(200)
9.2 Product manufacturing and operating costs	(2177)
9.3 Advertising and marketing	(350)
9.4 Leased assets	(5)
9.5 Staff costs	(550)
9.6 Administration and corporate costs	(500)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(3,782)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets / (deficiency)	-	-
10.5 Nature of business	-	-

Note 2 Reverse acquisition during FY17

On 20 December 2016, the Company, formerly named Hillcrest Litigation Services Limited completed the legal acquisition of 100% of The Infant Food Holding Co. Pty Limited (IFHC) and changed its name to Bubs Australia Limited. The acquisition of IFHC resulted in IFHC obtaining control of the merged entity. In addition the board of directors of the merged entity was restructured such that two of the three directors stepped down and were replaced by three of IFHC's nominees. A nominee of IFHC serves as the Managing Director and the IFHC management team has assumed responsibility for the management of the merged entity. Consequently, the acquisition has been accounted for with reference to the guidance for reverse acquisitions set out in AASB 3: Business Combinations.

The application of the reverse acquisition guidance contained in AASB 3 has resulted in the Company (the legal parent) being accounted for as the subsidiary and IFHC (the legal subsidiary) being accounted for as the parent entity.

At the time the Company's acquisition of IFHC, its operations did not fall within the scope of a "business" under AASB 3. Consequently, the acquisition did not meet the definition of a "business combination" under AASB 3 and the principles of AASB 3 could not be applied in their entirety.

Instead, the acquisition has been accounted for as a share-based payment transaction using the principles set out in AASB 2: Share-based payment whereby IFHC is deemed to have issued shares in exchange for the net assets and listing status of Bubs Australia Limited. In accordance with AASB 2, the difference between the fair value of the deemed consideration paid by IFHC and the fair value of the identifiable net assets of Bubs Australia Limited, is required to be recognised as an expense.

Compliance statement

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



Signed: _____

Dated: 28 July 2017

Company Secretary

Print name: Jay Stephenson

Notes

1. 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.
2. 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.
3. 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.