



Bubs Australia Limited
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28 April 2017

BUBS AUSTRALIA FY17 THIRD QUARTER CASH FLOW STATEMENT

Bubs Australia (ASX:BUB), producer of Australian made infant formula and organic baby food products, today released its Appendix 4C Cash Flow Statement for the third quarter.

Bubs Australia has enjoyed consistent quarter on quarter sales growth during FY17. Year to date gross revenue was \$3.12 million and was characterised by consistent steady growth, with the positive sales trend continuing through the third quarter.

Bubs domestic retail footprint has more than doubled in the third quarter, with the number of Australian retail outlets in which Bubs products are sold now exceeding 1,800 stores, delivering substantial domestic sales growth year on year. With a strong domestic footprint now established, we are focusing on building consumer awareness and brand activation that fosters engagement.

The third quarter has also seen international momentum, with particular focus given to activating our China expansion strategy. Plans are well progressed to realise new cross-border e-commerce sales and platform expansion during the fourth quarter. Importantly, while building our distribution channels we have ensured the business is highly scalable and remains agile in response to changing circumstances, delivering inventory where and when demand dictates.

Bubs Australia Founder and Managing Director Kristy Carr said, "We are very pleased with the progress made in the short time since listing. Q3 was a strong quarter delivering continuous sales growth. Highlights included securing important new retail and pharmacy accounts, which in turn doubled our total number of stores ranging Bubs nationally.

"We continue to progress with our development plans for China and formalising trading agreements with leading e-commerce platforms. We remain optimistic in our outlook for channel expansion and future growth domestically and internationally," Mrs Carr said.

Organic food and specialty milks continue to be two of the strongest growth categories in infant nutrition globally. With its competitive differentiation, Bubs continues to be well positioned to capture significant growth in these dynamic segments.



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Strategic Progress

In the three months since listing on the ASX, Bubs Australia has made significant progress against the four key pillars that underpin our future growth strategy. In turn these are:

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 model and we are pleased to report domestic sales continue to increase, and are considerably higher compared to the same period last year.

Domestic distribution capacity continued to expand during the third quarter with new business wins including:

- Expansion of Bubs Infant Formula ranging in Coles now sold in 60% of stores, complementing Bubs food products already sold in 95% of Coles stores.
- Bubs Infant Formula sales continue to steadily increase in 120 Big W stores.
- Launch of Bubs Infant Formula into giant wholesale chain Costco, accessing Costco's 150,000 members including personal shoppers for overseas consumers.
- Launch of Bubs Infant Formula online and Bubs Organic Baby Cereal in-stores nationally in Chemist Warehouse.
- Agreements with leading pharmacy wholesale distributors Sigma and Symbion providing access to over 5,000 pharmacies nationwide.
- Expansion into new pharmacy groups, including Discount Drug Stores, Blooms The Chemist, Cincotta Discount Chemist, ShopSmart Wholesale Pharmacy, and Barone Pharmacy, among others, bringing the total number of pharmacies to more than 700.

2. Enhanced Asian Focus

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



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We continue to be focused on our international strategy based on growing consumer-generated demand and closely managing supply of inventory.

We have advanced our China expansion strategy during the third quarter in a number of key areas including:

- Recruitment of dedicated internal resources to manage Chinese accounts.
- Cross border drop-shipping capability established to enable orders to be fulfilled directly to consumers' homes in China.
- Approval for a Bubs Australia flagship store on Alibaba Tmall Global platform with development underway.

We will be seeking to further expand our reach through direct trading agreements with additional Chinese e-commerce platforms and distribution partners in China.

Meanwhile, registration for pre shipment of our Chinese label and laboratory quality testing is completed and we continue to review and progress CNCA approved canning facility discussions.

3. Brand Awareness and Impact

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

Bubs Australia recently launched new pouch baby food packaging with refreshed contemporary design, backed by marketing communications to reflect premium positioning and highlight unique points of difference, i.e. Australian Certified Organic superfoods and Australian made provenance.

Key developments include:

- Secured rich data allowing Bubs to digitally reach its targeted audience across country, channel and device.
- Key influencers beginning to build momentum and 'mum-to-mum' word of mouth.
- Bubs featured as a category leader in Australian Certified Organic Market 2017 Report.



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- Bubs now has the second largest social media community within the baby food/formula category, with a combined following of 56,000 fans across Facebook and Instagram.

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.

As well as a pipeline of new product development for every stage of baby's development across multiple consumption occasions, we have engaged key Australian production partners to meet our manufacturing requirements. Other developments include:

- Investment in demand driven supply chain capability and systems to meet the changing needs of the market, and ensuring quality and continuity of supply while optimising working capital.
- Positive feedback received from leading retailers in both domestic and international markets commending the portfolio expansion.

In light of the above, as we advance towards the financial year-end, we are confident the building blocks are in place to capitalise on strong demand for quality Australian made infant nutrition products. We are well positioned for future market, channel and category expansion.

Our Appendix 4C Quarterly Cash Flow Statement for the period ended 31st March 2017 is attached. The Report was lodged with the Australian Stock Exchange on 28 April 2017.

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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 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)

31 March 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 31 March 2017 as well as the cash transactions of HLS from the date of acquisition (20 December 2016) up to the period ended 31 March 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	Year to date (9 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,132	2,805
1.2 Payments for:	-	-
(a) research and development	(40)	(40)
(b) product manufacturing and operating costs	(585)	(2,346)
(c) advertising and marketing	(247)	(600)
(d) leased assets	-	-
(e) staff costs	(308)	(921)
(f) administration and corporate costs	(365)	(793)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid) / refunded	6	8
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material):	-	-
1.9 Net cash from / (used in) operating activities	(407)	(1,887)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(7)	(40)
(b) businesses (see item 10) – net cash acquired	-	5,511
(c) investments	-	-
(d) intellectual property	-	(1)
(e) other non-current assets: payments made in respect to 2.1(a)	(139)	(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	(146)	5,332

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 Months) \$A'000
3. Cash flows from financing activities			
3.1 Proceeds from issues of shares		28	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)	(2)
3.5 Proceeds from borrowings		-	-
3.6 Repayment of borrowings		(2)	(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		24	20
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		6,076	2,082
4.2 Net cash from / (used in) operating activities (item 1.9 above)		(407)	(1,887)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		(146)	5,332
4.4 Net cash from / (used in) financing activities (item 3.10 above)		24	20
4.5 Effect of movement in exchange rates on cash held		-	-
4.6 Cash and cash equivalents at end of quarter		5,547	5,547
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		5,547	6,076
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)		5,547	6,076
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		125	
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

(90)

9.2 Product manufacturing and operating costs

(950)

9.3 Advertising and marketing

(447)

9.4 Leased assets

(5)

9.5 Staff costs

(380)

9.6 Administration and corporate costs

(505)

9.7 Other (provide details if material)

-

9.8 **Total estimated cash outflows**

(2,377)

10. Acquisitions and disposals of business entities
(items 2.1(b) and 2.2(b) above)

10.1 Name of entity

Acquisitions

Disposals

-

-

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 Prior Quarter Reverse acquisition

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: Friday, 28 April 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.