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

1800 2827 2878 (1800 BUBS AUST)
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30 August 2019

A RECORD YEAR
TRANSFORMATIVE PERIOD OF SCALABLE GROWTH

FY19 PRELIMINARY RESULTS

Bubs Australia Limited (**ASX: BUB**), producer of Australian premium infant nutrition and goat dairy products, submits the following Appendix 4E Preliminary Report for the year ended 30 June 2019.

Releasing the 2019 Preliminary Annual Results, Bubs Founder and Chief Executive Officer, Mrs Kristy Carr said: "Throughout the year we have continued to focus on pursuing our four pillar growth strategy together with our investments in supply chain and capabilities, investment in building Bubs® brand, and the formation of new key channel partnerships. This strategic focus has helped deliver exceptional growth across all sales channels covering the various routes-to-market for Australian and Chinese consumers, and resulted in record sales growth for the year with total net revenue increasing 160% on prior year. This included a material uplift in sales across all core product offerings, with the strongest growth coming from Bubs® goat milk infant formula range which increased by 278% compared to prior year.

"Importantly, a major investment in the Company by C2 Capital Partners facilitated the acquisition of Australia Deloraine Dairy, where we process our infant formula and milk powder products. We also established a Joint Venture with Beingmate, one of the largest Chinese owned enterprises in the infant nutrition industry, providing us with in-market representation to rapidly expand our China business. Additionally, our new strategic alliance with Chemist Warehouse provides a strong foothold domestically. We are confident these key strategic partnerships, combined with underlying investments in supply chain capabilities and product innovation, will deliver strong scalable growth, establishing a solid platform for achieving overall profitability in FY20," said Mrs Carr.

FINANCIAL HIGHLIGHTS

- FY19 total group gross revenue of $46.8* million (2018: $18.4 million), an increase of +154% pcp
- FY19 total group net revenue of $43.9 million (2018: $16.9 million), an increase of 160% pcp
- Group gross margin increased to 21%^ (2018: 14%)
- Bubs® infant formula gross margin increased to 38%^ (2018: 28%)
- Normalised EBITDA loss of $5.9 million
- Statutory net loss of $35.5 million, includes a non-cash one-off expense of $20.4 million under the Chemist Warehouse equity agreement and $5.9 million payable to the NuLac Foods Vendors
- Positive cashflow in operating activities through fourth quarter
- $23.3 million in cash reserves as at 30 June 2019

^Gross margin does not include the inventories written off.

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*Management Note: A difference of $4.5 million has arisen between the gross revenue reported in the Appendix 4C (announced on 29 July 2019) and the Appendix 4E. This amount relates to the technical accounting treatment of a customer contract under the new revenue standard AASB15 Revenue from Contracts with Customers. Whilst control of the products in the contract was transferred prior to 30 June 2019 and is considered legally enforceable, the revenue attributable to this contract is only recognisable upon the receipt of cash from the customer. Management therefore elected to take a conservative approach for statutory reporting purposes and has deferred the revenue attributable to this contract ($4.5 million), recognising it in early FY20.

PERFORMANCE BY CATEGORY

Positive momentum generated by our strategic focus delivered continued sales momentum throughout the year.

- Infant Formula - up 278% pcp, representing 43% of Net Revenue
- Organic Baby Food - up 59% pcp, representing 6% of Net Revenue
- Total Bubs® products - up 223% pcp, representing 49% of Net Revenue
- Adult goat milk powder - up 133% pcp, representing 36% of Net Revenue

PERFORMANCE BY REGION

Our product range continues to gain strong traction in domestic and Chinese market following the deployment of marketing resources and sales channel contract wins in all distribution channels.

- Australia - up 153% pcp, representing 81% of Net Revenue
- China - up 209% pcp, representing 18% of Net Revenue

FY19 STRATEGIC DEVELOPMENTS

With our new partnership in supply chain and distribution channels, the Group is now well placed to meet the continued and growing future demand.

- Major equity investment by C2 Capital Partners, of which Alibaba Group is an anchor investor.
- 100% acquisition of Deloraine Dairy, a CNCA licensed infant formula processing facility.
- Joint Venture established with Beingmate, a leading Chinese owned enterprise in infant nutrition.
- Strategic equity-linked alliance with Chemist Warehouse, securing long-term national ranging.
- Strategic eCommerce partnership with Alibaba Tmall for infant and adult products.
- Channel partnership and ranging in Kidswant, China's largest mother and baby store chain.
- Major new Goat Milk Supply Agreement with Central Dairy Goats in NZ for 6.2m litres in FY20.
- Manufacturing partnership with Tatura for one-step processing of nutritional base powder.
- Sell-down of interest in Uphamgo manufacturing Joint Venture for circa $3.5 million.
- Entry into fast growing post-infant segment with the launch of Bubs® organic toddler snacks.
- Development of organic grass-fed cow milk infant formula in partnership with Fonterra.
- Activation of the Corporate Daigou channel and partnering with hundreds of Key Opinion Leaders.

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The Bubs Australia Appendix 4E Preliminary Report for the year ended 30 June 2019 is attached, and is accompanied by an investor presentation outlining the Company's results, strategic progress, and operational performance.

All financial information outlined in this ASX announcement and investor presentation is unaudited and subject to change. The audited Annual Report will be lodged with the ASX on or before 30 September 2019.

END

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About Bubs Australia Limited (ASX: BUB)

Founded in 2006 in Sydney, Bubs Australia is engaged in the business of creating new generations of happy, healthy bubs through its range of premium infant nutrition products. Bubs® goat milk and organic grass-fed infant formula ranges, and organic baby food, cereals and toddler snacks cater for all feeding occasions and stages of development from newborn to preschool.

Bubs Australia is the leading producer of goat dairy products in Australia with exclusive milk supply from the largest milking goat herds in the country. Bubs® is proudly the only infant formula in the world to be based on 100% Australian goat milk.

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

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

Appendix 4E

Preliminary Final report

Name of Entity: Bubs Australia Limited

ACN: 060 094 742

1. **Reporting Period** (current period): 30 June 2019
   Previous corresponding period: 30 June 2018

2. **Results for announcement to market**

Revenue	Increase	160%	To	$43,914,853
(Loss) from ordinary activities after tax attributable to members	Decrease	45%	To	($35,509,236)
Net (loss) for the period attributable to members	Decrease	45%	To	($35,509,236)
Dividends	Amount per share cents	Franked amount per share cents		
Final	-	-		
Interim	-	-		

Record date for determining entitlements to dividends: N/A

Brief explanation of figures:

The Group achieved net revenue of $43,914,853 (2018: $16,906,256) and a loss after income tax of $35,509,236 (2018: $64,658,942). The overall position includes certain transactions that are outside of the normal operations of the Group:

- corporate transaction expenses of $897,327 (2018: $1,061,847) associated with the acquisition of Deloraine Dairy, disposal of the 49.9% interest in Uphamgo Australia Pty Ltd, New Zealand Nutritional Goat Company Limited, Cambria Unit Trust and Cambria Management Company Pty Ltd, establishment of Bubs Brand Management and the equity linked transaction with Chemist Warehouse Group;
- $5,897,633 (2018: $7,502,367) employee benefit expense relating to the $6.7 million payable to the Nulac Foods Vendors for future satisfaction of certain performance targets, recorded in employee costs given one of the KPIs relates to continued employment of Nulac Foods Vendors;
- $20,425,504 expense relating to the equity linked transaction with Chemist Warehouse Group (2018: $nil);
- $1,346,954 share based payment expense (2018: $2,544,696) relating to options issued in FY18;
- $719,396 movement of deferred consideration of Deloraine acquisition;
- $404,441 (2018: nil) inventories written off relating to discontinued products; and
- $235,616 (2018: nil) employee costs provision relating to the expected termination settlement with the previous CEO.

The operating loss reflects the fact the business is still in the development phase including the high costs of new product development, expenses relating to the expansion of the domestic and China sales channels and systems and process integration costs for Nulac Foods Pty Ltd and Deloraine Dairy.

3. **Consolidated statement of comprehensive income**

	2019 $	2018 $
Revenue	43,914,853	16,906,256
Cost of sales	(35,301,918)	(15,232,562)
Other Income	1,238,845	193,847
Distribution and selling costs	(1,468,069)	(859,956)
Employee costs	(12,005,639)	(12,527,112)
Marketing and promotion costs	(4,056,514)	(855,004)
Occupancy costs	(383,122)	(373,458)
Administrative and other costs	(5,759,616)	(3,981,122)
Goodwill impairment	-	(48,234,760)
Share based payment expense – Corporate transaction	(20,425,504)	-
Other expenses	(897,327)	(1,061,847)
Interest income	455,554	59,955
Finance cost	(893,576)	(255,422)
Loss before tax	**(35,582,033)**	**(66,221,185)**
Income tax benefit	72,797	1,562,243
Loss for the year after tax	**(35,509,236)**	**(64,658,942)**
Total comprehensive loss for the year	**(35,509,236)**	**(64,658,942)**
Loss per share		
Basic (loss) per share (dollars)	(0.08)	(0.20)
Diluted (loss) per share (dollars)	(0.08)	(0.20)

Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Type of goods and services	2019 $	2018 $
Sale of Infant Formula	18,936,215	5,009,026
Sale of Baby Organic Food	2,708,393	1,698,287
Sale of Adult Powder	15,611,244	6,686,748

Sale of Fresh Dairy Products	5,939,231	3,394,984
Sale of Raw Materials	337,304	117,211
Canning services	382,466	-
Total revenue from contracts with customers	43,914,853	16,906,256

Recognition and measurement

AASB 15 Revenue from Contracts with Customer supersedes *AASB 118 Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under *AASB 15 Revenue from Contracts with Customer*, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract and comparatives were not restated.

The Group elected to apply the modified retrospective method of adoption for *AASB 15 Revenue from Contracts with Customer*.

Sale of products

The Group has identified the following revenue streams by product type:

- Infant Formula
- Baby Organic Food
- Adult Powder
- Fresh Dairy Products
- Raw materials

For all revenue streams, the Group's contracts with customers for the sale of products include one performance obligation. The Group has concluded that revenue from sale of products should be recognised at the point in time when the products are transferred to the customer, generally on delivery of the products or when the goods are picked up at the Group's warehouse. The Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns, volume rebates and marketing contribution.

Rebates and marketing contribution

Rebates and marketing contribution with customers are recognised as a reduction of revenue. Under *AASB 15 Revenue from Contracts with Customer*, retrospective volume rebates and marketing contribution give rise to variable consideration. To estimate the variable consideration to which it is entitled, the Group applies the 'most likely amount method' for both contracts with a single volume threshold and those with marketing contribution. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained the contract and the marketing contribution agreed with the customers. The Group then applies the requirements on constraining estimates of variable consideration and recognises as refund liability for the expected future rebates.

Bill and hold arrangement

A bill and hold arrangement is a contract under which the Group bills a customer for a product but the Group retains physical possession of the product until it is transferred to the customer at a point in time in the future. The Group identifies multiple performance obligations for its bill and hold arrangements, including sales of products, custodial service and transportation service, if applicable. Sales of products are recognised as revenue when the products are placed into warehouse and the customer has accepted the products because the control of the products has transferred to the customer.

Canning services

The Group provides the canning services for nutritional dairy products. The Group recognises revenue from the canning services measured at the fair value of the consideration received or receivable. A receivable represents the Group's right to an amount of consideration that is unconditional. Where the Group controls the promised goods before transferring them to the customers, the Group is a principal and recognises the full amount of goods and canning services as revenue when the production is complete. Where the Group does not control the promised goods and solely provides canning services to the customers, the Group is an agent and recognises the revenue for the canning services when the production is complete.

Where the contracts with customers have minimum volume commitments over the term of the agreement and the customer is not able to fulfil minimum volume commitment, the Group is entitled to charge a penalty fee of the shortfall volume. This gives rise to variable consideration. To estimate the variable consideration to which it is entitled, the Group applies the 'expected value method'.

Key estimate and judgement

The Group estimates variable considerations to be included in the transaction price for the sale of products with volume rebates. The Group's expected volume rebates are analysed on a per customer basis. Determining whether a customer will be likely entitled to a rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

The Group estimates variable considerations to be included in the transaction price of the canning service with minimum volume commitments. The Group estimates the expected volume based on customer forecasts and accumulated purchases to date.

Expenses

	2019 $	2018 $
Cost of sales		
Production costs	34,520,080	14,621,935
Net realisable value adjustments	36,993	351,825
Inventories written off	744,845	258,802
Total	35,301,918	15,232,562
Included in administrative and other costs are the following:		
Listing and registry fees	313,136	286,609
Accountancy and legal fees	493,372	286,590
Insurance	408,667	231,158
Travel costs	672,754	510,283
Consultancy fee	764,843	506,293
Bad and doubtful debts	42,150	12,135
Depreciation and amortisation	1,178,954	309,007
Retainer fee with UphamGo Australia	429,265	228,736
Employee costs		
Wages and salaries	4,461,758	2,365,386
Superannuation	299,294	114,663
Shared based payments	1,346,954	2,544,696
Employee benefit expense – Nulac acquisition	5,897,633	7,502,367
Total	12,005,639	12,527,112
Other expenses		
Corporate transaction accounting and legal expense	897,327	1,061,847
Total	897,327	1,061,847

Finance costs

Interest expense	174,180	90,975
Unwinding of deferred consideration payable	719,396	164,447
Total	893,576	255,422

Share based payment expense – Corporate transaction

The Group entered into a four year agreement on 18 April 2019 with Chemist Warehouse Retail Group relating to the sale and promotion of Bubs products in Chemist Warehouse stores, with a commencement date of 1 June 2019. Bubs has an obligation to pay a fee to Chemist Warehouse for marketing support and promotional services. This fee will be payable by the issuance of ordinary shares in Bubs, being a maximum of 49,426,508 fully paid ordinary shares.

An initial issue of 2,974,272 fully paid ordinary shares in Bubs to Chemist Warehouse Retail Group will be issued at the later of the commencement date being 1 June 2019 and Chemist Warehouse stocking the products in accordance with the Heads of Agreement. The issue of the second tranche of 9,382,355 fully paid ordinary shares will be at the earlier of the approval at Bubs' 2019 AGM, the Group's capacity placement under ASX Listing Rule 7.1 or 30 April 2020.

The remaining 37,069,881 fully paid ordinary shares will be issued in three annual tranches, each of 12,356,627 shares upon the future satisfaction of sales performance targets by Chemist Warehouse relating to the actual sales of Bubs products in Chemist Warehouse stores over a three-year period. Tranches three to five relate to sales performance targets for the years ending 30 June 2020, 30 June 2021 and 30 June 2022.

If the sales performance target is not achieved in any contract year but is achieved for any subsequent contract year, fully paid ordinary shares will be issued for the subsequent contract year as well as a pro rata number of fully paid ordinary shares for any prior contract year in which the fully paid ordinary shares were not issued based on the percentage of the sales target that was reached for the prior contract year. In addition, if Chemist Warehouse meets the total sale performance targets between commencement date and 30 June 2022, Bubs will issue the maximum number of shares, less any shares already issued.

The transaction is accounted in accordance with *AASB 2 Share-based Payment.* The details of the fair value of the shares to be issued are as follows:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Total
Grant Date	18-Apr-19	18-Apr-19	18-Apr-19	18-Apr-19	18-Apr-19	
Share price at grant date	$ 0.87	$ 0.87	$ 0.87	$ 0.87	$ 0.87	
Time to maturity	2 months	5 months - 10 months	1.1 years	2.1 years	3.1 years	
Expected dividend	Nil	Nil	Nil	Nil	Nil	
Value per share ($)	$ 0.87	$ 0.87	$ 0.35	$ 0.26	$ 0.17	
Number of shares	2,974,272	9,382,355	12,356,627	12,356,627	12,356,627	49,426,508
Total value of shares	$ 2,587,616	$ 8,162,649	$ 4,300,106	$ 3,225,080	$ 2,150,053	$ 20,425,504

Recognition and measurement

The fair value of fully ordinary shares is recognised as a share based payment expense at grant date with a corresponding increase in the share based payments reserve. The fair value is measured at grant date with the Black-Scholes pricing model, taking into account the terms and conditions upon which the shares were granted. The sales performance targets are considered to be non-vesting conditions.
When the fully ordinary shares are issued, the value of the shares will be transferred to the issued capital with a reduction in the share based payments reserve.

Key estimate and judgement

In respect of the fee payable by Bubs to Chemist Warehouse, this is to be offset against the subscription price payable in respect of the issue of shares to Chemist Warehouse. Generally, payments to a customer for a distinct good or service are accounted for under AASB 15 *Revenue from Contracts with Customers*. The fee payable to Chemist Warehouse does not represent a payment for distinct goods or services. In addition, given that Bubs will issue shares, this is considered not to be consideration payable to a customer within the scope of AASB 15.

As a result, AASB 2 *Share-based Payments* has been applied. The Group has measured the services received by reference to the fair value of the equity instruments granted. In respect of tranches three to five, this relates to an unidentifiable good or service and is therefore a non-vesting conditions.

Estimating fair value of the fully ordinary shares requires determination of the most appropriate valuation methodology, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation including the probability of meeting the sales performance targets, grant date and share price and making assumptions about them.

Other income

	2019 **$**	**2018** **$**
Other income	98,895	61,410
Gain on disposal of joint ventures	937,185	-
Share of net profits of joint ventures accounted for using the equity method	187,464	132,437
Gain on disposal of Coach House Dairy assets	15,301	-
Total	1,238,845	193,847

Further details of the share of net profits of joint ventures accounted for using the equity method and carrying value of joint ventures at disposal date are disclosed in Note 12 Details of associates and joint ventures.

Further details of the carrying value of Coach House Dairy assets at disposal date are disclosed in Note 13 Intangible Assets.

4. Consolidated balance sheet

	2019	2018
	$	$
Assets		
Current Assets		
Cash and cash equivalents	23,291,058	38,642,902
Trade and other receivables	15,552,802	4,012,822
Other assets	1,636,562	4,887,537
GST receivable	1,946,169	-
Inventories	14,552,400	6,018,518
Total Current Assets	**56,978,991**	**53,561,779**
Non-Current Assets		
GST receivable	593,477	-
Plant and equipment	4,213,775	47,305
Intangible assets	91,782,992	32,991,646
Investment in joint venture	-	2,368,351
Investment in associates	1,030,470	-
Total Non-Current Assets	**97,620,714**	**35,407,302**
Total Assets	**154,599,705**	**88,969,081**
Liabilities		
Current Liabilities		
Trade and other payables	8,931,497	5,304,475
Contract liabilities	926,382	-
Borrowings	2,000,000	2,000,000
Provisions	2,357,410	151,694
Share based payment liability	1,946,169	-
Employee benefit liability - Nulac acquisition	6,700,000	3,350,000
Deferred consideration payables	5,000,000	-
Consideration payable	238,095	1,488,327
Total Current Liabilities	**28,099,553**	**12,294,496**
Non-Current Liabilities		
Provisions	553,949	5,654
Share based payment liability	593,477	-
Employee benefit liability - Nulac acquisition	-	4,152,367
Deferred consideration payables	7,347,062	-
Deferred tax liabilities	12,354,026	-
Total Non-Current Liabilities	**20,848,514**	**4,158,021**
Total Liabilities	**48,948,067**	**16,452,517**
Net Assets	**105,651,639**	**72,516,564**
Equity		
Issued capital	189,059,150	142,189,264
Share based payments reserve	24,878,923	3,106,465

Foreign currency translation reserve	1,967	-
Accumulated losses	(108,288,401)	(72,779,165)
Total Equity	**105,651,639**	**72,516,564**

5. Consolidated statement of cashflows

	2019 $	2018 $
Cash flows from operating activities		
Receipts from customers	40,420,388	17,528,164
Payments to suppliers and employees	(57,774,485)	(30,271,765)
Payments to Nulac vendors relating to Nulac Foods acquisition	(7,950,232)	-
Interest received	369,910	59,955
Interest paid	(174,180)	(90,906)
Net cash used in operating activities	(25,108,599)	(12,774,552)
Cash flows from investing activities		
Purchases of property, plant and equipment	(82,730)	(29,025)
Proceeds from disposal of property, plant and equipment	1,709	-
Payments for subsidiaries net of cash acquired	(15,956,865)	(22,763,687)
Payments for interests in joint ventures	-	(2,235,914)
Proceeds from disposal of Coach House Dairy assets	500,000	-
(Loan)/Repayment to / from a related party	600,000	(600,000)
Net cash (used in) / from investing activities	(14,937,886)	(25,628,626)
Cash flows from financing activities		
Proceeds from share issue	32,738,477	74,784,419
Exercise of options	791,081	-
Capital raising costs	(44,287)	(3,045,085)
Repayment of the shareholder loan from the Deloraine Dairy vendors (pre-acquisition shareholders)	(8,790,630)	-
Net cash from / (used in) financing activities	24,694,641	71,739,334
Net increase in cash and cash equivalents	(15,351,844)	33,336,156
Cash and cash equivalents at the beginning of the financial year	38,642,902	5,306,746
Cash and cash equivalents at the end of the financial year	23,291,058	38,642,902

6. Statement of changes in equity

2019	Issued Capital	Share Based Payments Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total equity
	$	$	$	$	$
Balance at 1 July 2018	142,189,264	3,106,465	-	(72,779,165)	72,516,564
Comprehensive income					
Loss for the year	-	-	-	(35,509,236)	(35,509,236)
Other comprehensive income	-	-	1,967	-	1,967
Total comprehensive income	-	-	1,967	(35,509,236)	(35,507,269)
Transactions with owners in their capacity as owners:					
Shares issued at acquisition	13,384,615	-	-	-	13,384,615
Issue of shares	32,738,477	-	-	-	32,738,477
Exercise of options	791,081	-	-	-	791,081
Capital raising costs, net of tax	(44,287)	-	-	-	(44,287)
Share based payment expense	-	1,346,954	-	-	1,346,954
Share based payment expense – Corporate transaction	-	20,425,504	-	-	20,425,504
Balance at 30 June 2019	189,059,150	24,878,923	1,967	(108,288,401)	105,651,639

2018	**Issued Capital**	**Share Based Payments Reserve**	**Foreign Currency Translation Reserve**	**Retained Earnings**	**Total equity**
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2017	15,082,928	561,769		(8,120,223)	7,524,474
Comprehensive income					
Loss for the year	-	-		(64,658,942)	(64,658,942)
Other comprehensive income	-	-		-	-
Total comprehensive income	-	-		(64,658,942)	(64,658,942)
Transactions with owners in their capacity as owners:					
Shares issued at acquisition	54,529,906	-		-	54,529,906
Issue of shares	74,784,419	-		-	74,784,419
Exercise of options	500				500
Capital raising costs, net of tax	(2,208,489)	-		-	- 2,208,489
Share based payment expense	-	2,544,696		-	2,544,696
Balance at 30 June 2018	142,189,264	3,106,465		(72,779,165)	72,516,564

7. Share capital

	2019		2018	
	Shares	$	Shares	$
Movement in share capital				
Balance at beginning of the year	436,194,415	142,189,264	238,820,888	15,082,928
Issue of shares as part of acquisition	15,384,615	13,384,615	76,802,684	54,529,906
Exercise of options	7,910,805	791,081	5,000	500
Placement of shares	-	-	8,331,933	4,999,160
Share purchase plan	50,100,222	32,738,477	112,233,910	69,785,259
Share issue transactions costs	-	(44,287)	-	(2,208,489)
Balance at end of year	**509,590,057**	**189,059,150**	**436,194,415**	**142,189,264**

8. Dividends

Amount per security

		Amount per security	Franked amount per security at 30% tax cents	Amount per security of foreign source dividend cents
Final Dividend	-Current year	-	-	-
	-Previous year	-	-	-
Interim dividend	-Current year	-	-	-
	-Previous year	-	-	-

Total Dividends on all securities for the year

	Current period	Previous corresponding period
Ordinary securities	509,590,057	436,194,415
Preference securities	-	-
Other equity securities	-	-

9. Dividend re-investment plan

The dividend reinvestment plans shown below are in operation:

None

Last date for receipt of election notices for the dividend reinvestment plan: N/A

10. Net Tangible Assets

	Current period	Previous corresponding period
	Cents	Cents
Net tangible asset backing per ordinary share	0.027	0.090

11. Details of entities over which control has been gained or lost

On 18 April 2019, the Group acquired 100% of the issued shares in Australia Deloraine Dairy Group Limited, one of 15 licenced canning facility in Australia authorised by the Certification and Accreditation of China (CNCA) for physical importation into China under regulatory requirements administered by State Administration for Market Regulation (SAMR), with the following purchase consideration:

	$
Cash	16,209,370
Deferred consideration	11,627,666
Working capital adjustment	(2,794,927)
Ordinary shares issued	13,384,615
Total Purchase Consideration	38,426,724

In addition to the above, the loan owing to the Deloraine Dairy vendors (pre-acquisition shareholders) was repaid in full being an amount of $8,790,630.

The terms of payment of the deferred consideration in relation to Deloraine Dairy acquisition has been updated since the acquisition date 18 April 2019. As announced on 1 April 2019, $15 million of the consideration payable to the Deloraine vendors in equal instalments over a three year period was subject to certain performance targets being met. The performance targets related to the ongoing employment of Jason (Yulin) Qi by Deloraine and the consultancy agreement between Bubs and Weiwen Zhu. Subsequent to acquisition date, Bubs has agreed with the Deloraine vendors to waive these performance targets, so that $15 million of the consideration payable is automatically payable over the three year period. Bubs notes that there is nothing to currently indicate these performance targets would not have been satisfied and have been made to the applicable contract terms or notice periods in Jason (Yulin) Qi's employment contract or Weiwen Zhu's consultancy agreement. The value of the deferred consideration payable of $11,627,666 was estimated by calculating the present value of future expected cash flows.

At 30 June 2019, the deferred consideration has been recorded as a current liability of $5,000,000 and a non-current liability of $7,347,062 on the consolidated statement of financial position. A difference of $719,396 has been recorded as a finance cost in the consolidated statement of profit or loss and other comprehensive income representing the unwinding of the deferred payable from the date of acquisition to year end. A reconciliation of the deferred consideration payable is provided below:

As at 1 July 2018	-
Liability arising on acquisition	$11,627,666
Unwinding of the deferred consideration payable recognised in profit or loss	$719,396
As at 30 June 2019	$12,347,062

In addition, a cash adjustment is expected to be made in May 2020 relating to a net asset adjustment based on the values of certain accounts on the balance sheet of Deloraine Dairy as at the acquisition date, including inventories, receivables and trade and other payables. The adjustment has been estimated as a cash payment to the Group of $2,794,927.

15,384,615 shares were issued at $0.87 per share as part of the consideration ($13,384,615).

Analysis of cashflows on acquisition

	$
Cash consideration	16,209,370
Cash balances acquired	(252,505)
Net outflows of cash	**15,956,865**

A total amount of $221,799 transaction costs in relation to the acquisition are included in cash flows from operating activities.

Assets acquired and Liabilities assumed

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

		$
Cash and cash equivalents		252,505
Trade receivables		265,056
Inventories		1,110,546
Other assets		557,140
Security bond		371,402
Deposits paid		101,365
Plant and equipment		4,174,200
Intangible assets - software and trademarks		58,444
Intangible assets - licence		38,489,095
Intangible assets – customer contract		3,094,033
Trade and other payables	-	236,055
Customer deposit	-	1,874,458
Proforma invoice	-	1,275,479
Provisions	-	567,873
Supplier contract liability	-	1,800,000
Shareholder loan	-	8,790,630
Deferred tax liability	-	12,426,823

Net assets	**21,502,468**
Total Purchase Consideration	38,426,724
Goodwill	16,924,256

The fair value and gross amount of the trade receivables is $265,056 and it is expected that the full contractual amounts can be collected.

The goodwill of $16,924,254 comprises the value of expected synergies arising from the acquisition and a pre-existing customer relationship with Bubs, which is not separately recognised. Goodwill is allocated entirely to the Deloraine Dairy CGU. None of the goodwill recognised is expected to be deductible for income tax purposes.

Deloraine Dairy acquisition was accounted for on a provisional basis at 30 June 2019.

Recognition and measurement

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Deferred consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

12. Details of associates and joint ventures

Joint ventures

On 28 February 2019, the Group disposed 49.9% of the issued shares in Uphamgo Australia Pty Ltd, New Zealand Nutritional Goat Company Limited, Cambria Management Company Pty Ltd and Cambria Unit Trust with a total carrying amount of $2,555,815 for cash consideration of $3,493,000. The cash consideration is deferred to 20 February 2020. The gain on these disposals were recognised as part of other income in the statement of profit or loss. Further details are disclosed in Note 3 Other income.

Associates

On 6 May 2019, the Group and Beingmate Baby & Child Food Co., Ltd ('Beingmate') established a joint venture company Bubs Brand Management Shanghai Co. Ltd ('Bubs Brand Management'). The Group is required to contribute 49% of registered capital (RMB 4,900,000, equivalent AUD of $1,030,470).

The Group has determined that it does not have joint control of Bubs Brand Management and is therefore outside the scope of AASB 11 *Joint Arrangements*. As such, The Group's investment in Bubs Brand Management will be accounted for as an associate under AASB 128 *Investments in Associates and Joint Ventures*.

No transactions incurred in the associate in FY19.

The associate has no contingent liabilities or capital commitments as at 30 June 2019.

13. Any other significant information

Details of any other significant information needed by an investor to make an informed assessment of the entity's financial performance and position:

Intangible assets

	Goodwill	Brand name	Licence	Priority right	Customer contract/list	Recipes	Patents, trademarks and software	Total
	$	$	$	$	$	$	$	$
Cost								
As at 1 July 2017	1,478,251	591,634	-	-	265,731	47,740	52,188	2,435,544
Acquisition of a subsidiary	72,212,166	4,500,000	-	-	3,500,000	-	-	80,212,166
As at 30 June 2018	73,690,417	5,091,634	-	-	3,765,731	47,740	52,188	82,647,710
Acquisition of a subsidiary	16,924,256	-	38,489,095	-	3,094,033	-	58,443	58,565,827
Addition	-	-	-	1,800,000	-	-	-	1,800,000
Disposal	-	(400,000)	-	-	(100,000)	-	-	(500,000)
As at 30 June 2019	90,614,673	4,691,634	38,489,095	1,800,000	6,759,764	47,740	110,631	142,513,537
Amortisation and impairment								
As at 1 July 2017	(904,180)	-	-	-	(204,048)	(36,649)	(15,220)	(1,160,097)
Amortisation	-	-	-	-	(238,639)	(9,547)	(13,021)	(261,207)
Impairment	(48,234,760)	-	-	-	-	-	-	(48,234,760)
As at 30 June 2018	(49,138,940)	-	-	-	(442,687)	(46,196)	(28,241)	(49,656,064)

Amortisation	-	-	(349,901)	(300,000)	(420,466)	(1,544)	(17,872)	(1,089,783)
Disposal	-	-	-	-	15,301	-	-	15,301
As at 30 June 2019	(49,138,940)	-	(349,901)	(300,000)	(847,852)	(47,740)	(46,113)	(50,730,546)
Net book value								
At 30 June 2018	24,551,477	5,091,634	-	-	3,323,044	1,544	23,947	32,991,646
As at 30 June 2019	41,475,733	4,691,634	38,139,194	1,500,000	5,911,912	-	64,518	91,782,992

On 30 June 2019, the Group disposed of Coach House Dairy related assets with a total carrying amount of $484,699 for cash consideration of $500,000. The gain on the disposal was recognised as part of other income in the statement of profit or loss and disclosed in Note 3 Other Income.

Brand name, customer contract/list, licence, priority right and goodwill are allocated to the following cash generating units (CGUs) for the purposes of impairment testing: Infant Food Co $1,165,712 (2018: $1,174,297); Nulac Foods $32,457,159 (2018: $31,791,858) and Deloraine Dairy $58,095,603 (2018: Nil).

Recognition and measurement

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

Goodwill

Goodwill is recognised on business acquisitions, representing the excess of the fair value of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the business recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the date of acquisition, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

Brand names
Brand names are considered to have an indefinite life and are not amortised. As at 30 June 2019, these assets were tested for impairment.

Licence

The licence represents the CNCA (Certification and Accreditation Administration of the People's Republic of China) licence that Deloraine Dairy currently holds. The licence is amortised on a straight-line basis over the period of the expected benefit, being the definite life of 22 years.

Customer contract/list

Customer contract/lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being the definite life of 10 years.

Priority right

Priority right represents the priority right of processing and manufacturing goat milk at Uphamgo Australia. The amount is amortised on a straight-line basis over the two year agreement with the commencement date of 28 February 2018.

Impairment testing for cash-generating units (CGUs) including goodwill

Goodwill and brand names allocation
For the purposes of impairment testing, goodwill and brand names are allocated to the Group's CGUs which represent the lowest level within the Group at which goodwill and brand names are monitored by internal management and are no higher than an operating segment as follows:

	2019	**2018**
Infant Food Co	1,165,705	1,165,705
Nulac Foods[1]	28,077,406	28,477,406
Deloraine Dairy	16,924,256	-
	46,167,367	29,643,111

[1] Goodwill and brand names allocated to Nulac Foods in FY18 were $76,712,166. An impairment of $48,234,760 was recognised in FY18.

Recognition and measurement

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised on the consolidated statement of profit or loss and other comprehensive income.

Key estimates and judgements

Goodwill and intangibles

Judgements are made with respect to identifying and valuing intangible assets on acquisitions of new businesses. The Group assesses whether goodwill and intangibles with indefinite useful lives are impaired at least annually. These calculations involve judgements to estimate the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

Annual impairment testing at 30 June 2019

The recoverable amount of the CGUs to which goodwill and indefinite life brand names were allocated has been determined on a value in use basis using a discounted cash flow approach, and projections based on financial budgets and five-year forward plans approved by the Board.

Key assumptions

	2019			**2018**		
	Infant Food Co	Nulac Foods	Deloraine Dairy	Infant Food Co	Nulac Foods	Deloraine Dairy

Discount rate (post tax)	12.90%	11.90%	11.91%	12.90%	11.90%	-
Discount rate (pre tax)	18.50%	16.40%	17.01%	18.50%	16.40%	-
Terminal growth	2.50%	2.50%	2.50%	2.50%	2.50%	-

Consideration payable

As part of the acquisition of Nulac Foods in FY18, a deferred consideration of up to $1,488,327 is payable in cash in the event that any of the 9,417,350 options outstanding as at 20 December 2017 are exercised, to adjust for the dilution of the consideration shares issued to Nulac vendors. Payments are due to be made within 30 days of the relevant option exercise date. During the year, 7,910,805 options were exercised. As at 30 June 2019, a deferred consideration of up to $238,095 is payable in cash in the event that the remaining 1,506,545 options are exercised.

Employee benefit liability – Nulac acquisition

	2019	**2018**
	$	**$**
Current	6,700,000	3,350,000
Non-current	-	4,152,367

As part of Nulac Foods acquisition in FY18, a total amount of up to $13.4 million was payable by the Group 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 period ending 20 December 2018, and up to $6.7 million payable following the achievement of the performance targets in the period ending 20 December 2019. These payments are not contingent consideration as defined in the Australian Accounting Standards, and instead are accounted for in accordance with *AASB119 – Employee Benefits*, as expenses relating to future activities including continuing services of employees of Uphamgo Australia Pty Ltd.

$7,502,367 representing the employee benefit liability at 30 June 2018 was recognised in FY18. During the year, the Group paid $6,700,000 to Nulac vendors following the achievement of the performance targets in the period ending 20 December 2018. The remaining $6,700,000 is payable following the achievement of the performance target in the 12 month period ending 20 December 2019.

Share based payment liability

As part of the Chemist Warehouse transaction, the Group is required to pay cash for the GST component relating to the shares to be issued to Chemist Warehouse. This has been presented as a share based payment liability. This amount is expected to be fully recoverable and a corresponding GST receivable has been recorded.

14. Accounting standards

The financial results have been prepared in accordance with Australian Accounting Standards.

15. Results for the period

15.1 Earnings per share

	Current period	Previous corresponding period
	Cents	Cents
Basic Earnings per Share	(7.79)	(19.82)
Diluted earnings per share	(7.79)	(19.82)
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	455,620,266	325,909,435

15.2 Return to shareholders

N/A

15.3 Significant features of operating performance

Revenue and profitability

At an operating level, net sales increased 160% compared to FY18. Domestic net sales account for 81% of net revenue, with 18% of net revenue generated from China cross border e-commerce sales, and the remaining 1% from other international markets.

Domestic net sales increased 153% compared to FY18 which was driven by Bubs' strong domestic presence, along with the marketing initiatives the Group has undertaken and the activation of the Corporate Daigou distribution channel.

China net sales increased 209% on FY18 which represents the strong traction the Bubs product range continues to gain in the Chinese market following the deployment of marketing resources and sales channel contract wins in cross border e-commerce distribution channel and China Mother and Baby stores distribution channel.

Gross margin[1] has improved to 21% in FY19 compared to 14% in FY18 due to the optimisation in product and channel mix, engaging new suppliers and improvements in allocating the milk pool from Australia and New Zealand. Bubs product's has achieved a gross margin[1] of 36% in FY19 compared to 20% in FY18. The positive blended margin combined with the strong exponential growth in sales is continuing to erode the high operating and administrative costs indicative of a business in the growth phase. As the foundation of the business has been laid out in FY19 and sales continue to

[1] Gross margin does not include the inventories written off.

grow with strong gross margin, the Group forecasts a significant improved profit or loss position in FY20.

Financial position

The Group currently holds $23,291,058 in cash and cash equivalents at 30 June 2019 (2018: $38,642,902). The strong cash position is due to the successful capital raising from C2 Capital Partners during the year and improved cash management of the supply chain. External debt at 30 June 2019 is $2,000,000 (2018: $2,000,000) which arose from the acquisition of Nulac Foods Pty Ltd. The directors are confident of the Group's ability to continue as a going concern and meet its debts and future commitments as and when they fall due and payable.

15.4 Segment Results

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the Board) in order to allocate resources to the segment and assess its performance.

In FY18 and FY19, the Group had identified a single operating segment being the sale of nutritional food, fresh products, adult powder and providing canning services of nutritional dairy products. Accordingly, the financial information presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position was the same as that presented to the chief operating decision maker.

Geographic information

Net revenue (by region)	**2019** **$**	**2018** **$**
Australia	35,669,345	14,077,135
China	7,879,277	2,552,797
Other International	366,231	276,324
Total	43,914,853	16,906,256

The revenue information above is based on the locations of the customers.

15.5 Trends in performance

The Group expects to experience continued strong growth in the key domestic retail space as a result of its partnership with Chemist Warehouse group and the activation of its corporate Daigou partnership. The strong growth in China retail space will be further strengthened by the partnership with BeingMate and the support from C2 Capital.

The gross margin is expected to be further improved as the Group continues working on reducing product costs and optimising the product and channel mix.

Operationally, the Deloraine Dairy acquisition enables the Group to have the capacity to support the strong domestic and China demand of baby infant formula and further enhances the vertical integration and security of the Group's supply chain.

15.6 Any other factors which have affected the results in the period which are likely to affect the result in the future including those where the effect could not be quantified:

N/A

16. This report is based on accounts to which one of the following applies:

The accounts have been audited
√ The accounts are in the process of being audited
The accounts have been subject to a review
The accounts have not yet been audited or reviewed

17. Description of any likely audit dispute or qualification

N/A

Sign here:

Company Director

Date: 30 August 2019

Kristy Carr