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Interim Report

26 February 2024

Bubs Australia Limited and
Controlled Entities

ACN 060 094 742

Contents

Corporate Directory.....	3
Directors Report	4
Auditor’s Independence Declaration	7
Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Condensed Interim Consolidated Statement of Financial Position.....	9
Condensed Interim Consolidated Statement of Changes in Equity	11
Condensed Interim Consolidated Statement of Cash Flows	12
Notes to the Condensed Interim Consolidated Financial Statements.....	13
Director’s Declaration	21
Independent Auditor’s Review Report	22

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Bubs Australia Limited and Controlled Entities
Corporate Directory
31 December 2023

Current Directors

Katrina Rathie
Paul Jensen
Steve Lin
Reg Weine

Chair and Independent Non-Executive Director
Independent Non-Executive Director
Non-Executive Director
Chief Executive Officer and Managing Director

Company Secretary

Jay Stephenson

Registered Office and Domicile

Bubs Australia Limited is a company limited by shares, incorporated and domiciled in Australia.
Its registered office is:
23-29 Nina Link Dandenong South
Melbourne VIC 3175

Share Registry

Computershare Investor Services Pty Limited
Level 2
Reserve Bank Building
45 St George's Terrace
Perth WA 6000

Auditors

KPMG
Tower Two, Collins Square
727 Collins Street
Melbourne VIC 3008

Australian Stock Exchange

ASX Code: BUB

Bubs Australia Limited and Controlled Entities

Directors' report

31 December 2023

Directors

The names of the directors of Bubs Australia Limited and the entities it controlled ('the Group' or 'Bubs') in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Katrina Rathie, Chair and Independent Non-Executive Director, appointed 6 April 2023 (21 July 2021 as Independent Non-Executive Director)

Paul Jensen, Independent Non-Executive Director, appointed 20 March 2023

Steve Lin, Non-Executive Director, appointed 18 April 2019

Reg Weine, CEO & Managing Director, appointed 29 August 2023 (11 April 2023 as Non-Executive Director)

Operating and financial review

Financial performance and operating expenses management

Revenue

The Group achieved gross revenue¹ of \$49.2 million (30% up on 1HFY23) and revenue \$39.4 million (25% up on 1HFY23) driven by strong growth in the USA and Australia. Bubs Infant Formula revenue increased 63% compared to 1HFY23 (excluding Supreme sales).

United States

The success of the strategic focus on expansion in the USA market as our number one priority is demonstrated by Bubs' revenue growth of 85% from 1HY23. The USA represents 46% of the Group's net revenue.

The Group continues to make meaningful progress in meeting all regulatory milestones for permanent access to the U.S. market and is working closely with the FDA and other stakeholders to help diversify America's infant formula supply chain and secure ongoing product availability in the American market.

Bubs' retail footprint now stands at over 5,800 stores across 42 states, including the four largest retailers of infant formula: Target, Walmart, Kroger and Albertsons-Safeway, as well as regional supermarket chains including Meijer, Wegmans, and HEB, Rite Aid drug stores, and e-commerce marketplaces like Amazon.

Australia

In the Australian market, Bubs continues to be the fastest growing infant formula manufacturer within the top six major manufacturers². Bubs Infant Formula portfolio has grown 10% in scan sales value, more than doubling the infant formula category growth rate of 4.2%². The goat formula product range has had eight consecutive periods of sales growth over the prior year². Bubs is now the 5th largest brand in the domestic IMF market.

¹ Gross revenue is a non-IFRS measure. Non-IFRS measures have not been subject to audit or review. Gross revenue represents the revenue recognised without trade spend.

² IRI Scan Data, Total Infant Formula Category Retail Scan Sales (\$000's) in Coles, Woolworths and Chemist Warehouse combined to MAT 06/02/24. The 8 consecutive periods relate to the 8 quarters of Bubs sales Circana Scan \$'s Qtr. To the week ending 14/01 Total Woolworths, Coles & Chemist Warehouse Combined.

Bubs Australia Limited and Controlled Entities

Directors' report

31 December 2023

China

The Group's performance in China was down 30% compared to 1HFY23. Bubs' China re-set strategy is taking shape, with our latest distributor on-boarded and has now commenced placing orders. The inventory overhang in China under Bubs previous exclusive distributor continues to be heavily discounted in all channels, negatively impacting distributor/Daigou confidence in the short to medium term, however this inventory will be cleared by the end of the financial year. Bubs has a strong pipeline of China specific new product development and innovation to be launched in Q4 of FY24 which should see China's full year revenue deliver growth over prior year.

Gross margin

Group gross margin at 49% for the half reflects Bubs' premium brand and market positioning, improved inventory management, and geographic and channel optimisation.

Operating expenses

Operating expenses³ to revenue ratio decreased to 66% from 72% in 1HFY23. Excluding non-recurring costs (ERP expenditure and FDA growth study) operating expenses were 57% of revenue. The decrease is due to the effectiveness of Management's cost control measures in place, providing a pathway to profitability in FY25.

Included in operating expenses are:

- Employee costs⁴ which increased 22% from 1HFY23. However, when excluding non-recurring costs⁵, the increase is 13%, which has been necessary to support our organisational capability and growth.
- Administrative and other costs⁶ increased by 28% to \$17.4m, excluding non-recurring items of \$5.6m there is a 14% reduction in administrative and other costs.
- Marketing and promotion investment for 1HY24 is at 13% of revenue and decreased by 23% compared to 1HFY23 reflecting both an increased marketing spend return on investment focus and the non-recurrence of the initial establishment costs in the US market incurred in 1HFY23.

³ Operating expenses exclude share-based payments, Impairment losses and depreciation and amortisation. This is a non-IFRS measure. Non-IFRS measures have not been subject to audit or review.

⁴ Employee costs exclude share-based payments. This is a non-IFRS measure. Non-IFRS measures have not been subject to audit or review.

⁵ The non-recurring costs in employee costs relate to employee termination costs. These are non-IFRS measures and have not been subject to audit or review.

⁶ Administrative and other costs do not include depreciation and amortisation and share based payments expense. This is a non-IFRS measure. Non-IFRS measures have not been subject to audit or review.

Bubs Australia Limited and Controlled Entities
Directors' report
31 December 2023

Underlying EBITDA⁷ loss was \$6.8m (1HFY23: \$22.0 million profit) and the reconciliation to the statutory loss before tax is set out in the table below.

	1HFY24	1HFY23
	\$	\$
Loss before tax	(7,161,383)	(43,489,571)
Interest income	182,783	122,653
Finance cost	(105,535)	(189,101)
EBIT Loss	(7,238,631)	(43,423,123)
Depreciation and amortisation	(485,105)	(1,429,463)
EBITDA Loss	(6,753,525)	(41,993,660)
Impairment	-	(19,995,133)
Underlying EBITDA Loss	(6,753,525)	(21,998,527)

Subsequent events

No matters or circumstances have arisen since 31 December 2023 that has significantly affected or could significantly affect the reported results from operations or financial position for the period then ended.

Rounding

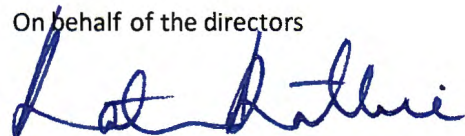
The financial report is presented in Australian dollars and all values in this report and the interim financial report are to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 23 and forms part of this report.

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

On behalf of the directors



Katrina Rathie
Chair
Melbourne
26 February 2024

⁷ EBITDA, EBIT and underlying EBITDA are non-IFRS measures. Non-IFRS measures have not been subject to audit or review.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Bubs Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Bubs Australia Limited for the half-year ended 31 December 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

J. Carey

Partner

Melbourne

26 February 2024

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Bubs Australia Limited and Controlled Entities
Condensed Interim Consolidated Statement of Profit or Loss and Other
Comprehensive Income
For the six months ended 31 December 2023

	Note	31/12/2023 \$	31/12/2022 \$
Revenue	3	39,417,766	31,483,624
Cost of sales	5	(20,178,783)	(28,936,609)
Gross profit		19,238,983	2,547,015
Other Income		81,117	65,098
Share of net profits/(losses) of associate accounted for using the equity method		-	(914)
Distribution and selling costs		(3,308,639)	(1,881,191)
Marketing and promotion costs		(5,115,606)	(6,655,375)
Administrative and other costs	5	(18,134,486)	(17,054,814)
Impairment	9	-	(19,995,133)
Other expenses	5	-	(447,809)
Interest income		182,783	122,653
Finance cost	5	(105,535)	(189,101)
Loss before tax		(7,161,383)	(43,489,571)
Income tax expense		(508,544)	(908,893)
Loss for the period after tax		(7,669,927)	(44,398,464)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax)		-	-
Exchange difference on translation of foreign operations		270,727	73,004
Other comprehensive income, net of tax		270,727	73,004
Total comprehensive loss for the period		(7,399,200)	(44,325,460)
Loss per share			
Basic (loss) per share (dollars)	6	(0.01)	(0.06)
Diluted (loss) per share (dollars)	6	(0.01)	(0.06)

The accompanying notes form part of these condensed interim consolidated financial statements.

Bubs Australia Limited and Controlled Entities
Condensed Interim Consolidated Statement of Financial Position

	Note	31/12/2023	30/06/2023
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		27,357,988	26,052,523
Trade and other receivables	7	14,992,960	7,914,587
Inventories	8	22,833,566	20,767,492
Other assets		3,224,860	2,624,480
Total Current Assets		68,409,374	57,359,082
Non-Current Assets			
Property, plant and equipment		4,142,756	4,438,440
Right of use assets		1,630,675	1,930,243
Intangible assets	9	1,186,316	1,204,780
Investment in associates		-	116,907
Other assets		549,145	549,145
Total Non-Current Assets		7,508,892	8,239,515
Total Assets		75,918,266	65,598,597
Liabilities			
Current Liabilities			
Trade and other payables		19,271,869	16,673,764
Contract liabilities		96,884	124,307
Lease liabilities		688,558	679,239
Borrowings		200,000	2,000,000
Provisions		3,399,080	2,438,969
Total Current Liabilities		23,656,391	21,916,279
Non-Current Liabilities			
Lease liabilities		1,376,953	1,726,648
Provisions		197,137	275,452
Total Non-Current Liabilities		1,574,090	2,002,101
Total Liabilities		25,230,481	23,918,380
Net Assets		50,687,785	41,680,218

The accompanying notes form part of these condensed interim consolidated financial statements.

Bubs Australia Limited and Controlled Entities
Condensed Interim Consolidated Statement of Financial Position

	Note	31/12/2023	30/06/2023
		\$	\$
Equity			
Issued capital	10	356,757,915	340,568,767
Share based payments reserve	11	12,151,684	11,934,065
Foreign currency translation reserve		(24,043)	(294,770)
Accumulated losses		(318,197,771)	(310,527,844)
Total Equity		50,687,785	41,680,218

The accompanying notes form part of these condensed interim consolidated financial statements.

Bubs Australia Limited and Controlled Entities
Condensed Interim Consolidated Statement of Changes in Equity

For the six months ended 31 December 2023

	Issued Capital	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2023	340,568,767	11,934,065	(294,770)	(310,527,844)	41,680,218
Comprehensive income					
Loss for the period	-	-	-	(7,669,927)	(7,669,927)
Other comprehensive income			270,727	-	270,727
Total comprehensive loss	-	-	270,727	(7,669,927)	(7,399,200)
Transactions with owners in their capacity as owners:					-
Issue of shares	17,375,750				17,375,750
Capital raising costs, net of tax	(1,186,602)				(1,186,602)
Share based payment expense		217,619			217,619
Balance at 31 December 2023	356,757,915	12,151,684	(24,043)	(318,197,771)	50,687,785

For the six months ended 31 December 2022

	Issued Capital	Share Based Payments Reserve	Equity Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	274,851,116	11,332,626	4,246,021	(45,209)	(202,175,003)	88,209,551
Comprehensive income						
Loss for the period	-	-	-	-	(44,398,464)	(44,398,464)
Other comprehensive income	-	-	-	73,004	-	73,004
Total comprehensive loss	-	-	-	73,004	(44,398,464)	(44,325,460)
Transactions with owners in their capacity as owners:						
Issue of shares	63,497,669	-	-	-	-	63,497,669
Capital raising costs, net of tax	(2,026,039)	-	-	-	-	(2,026,039)
Share based payment expense	-	1,978,458	-	-	-	1,978,458
Balance at 31 December 2022	336,322,746	13,311,084	4,246,021	27,795	(246,573,467)	107,334,179

The accompanying notes form part of these condensed interim consolidated financial statements.

Bubs Australia Limited and Controlled Entities
Condensed Interim Consolidated Statement of Cash Flows
For the six months ended 31 December 2023

	31/12/2023	31/12/2022
	\$	\$
Cash flows from operating activities		
Receipts from customers	38,013,769	45,459,831
Payments to suppliers and employees	(50,285,182)	(66,276,108)
Interest received	182,783	97,321
Interest paid	(105,535)	(148,340)
Net cash provided by/(used in) operating activities	(12,194,165)	(20,867,296)
Cash flows from investing activities		
Purchases of property, plant and equipment	(40,597)	(277,416)
Proceeds from disposal of property, plant and equipment	-	24,567
Purchases of intangible assets	-	(1,950)
Payments to Deloraine vendors relating to Deloraine acquisition	-	(4,000,000)
Net cash used in investing activities	(40,597)	(4,254,799)
Cash flows from financing activities		
Repayment of borrowings	(1,800,000)	-
Proceeds from share issue	17,375,750	63,020,588
Capital raising costs	(1,695,146)	(2,894,342)
Proceeds from exercising options	-	477,081
Repayment of lease liabilities	(340,377)	(376,555)
Net cash from / (used in) financing activities	13,540,227	60,226,772
Net increase in cash and cash equivalents	1,305,465	35,104,677
Cash and cash equivalents at the beginning of the financial year	26,052,523	16,311,005
Total cash and cash equivalents at the end of the period	27,357,988	51,415,682

The accompanying notes form part of these condensed interim consolidated financial statements.

Bubs Australia Limited and Controlled Entities

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 31 December 2023

1. Corporate information

The condensed interim consolidated financial statements of Bubs Australia Limited and the entities it controlled ('the Group') for the six month ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 26 February 2024. The condensed interim consolidated financial statements are presented in Australian dollars, which is Bubs Australia Limited's functional and presentational currency.

The Group is a for-profit entity that is a listed public company limited by shares, incorporated and domiciled in Australia. A description of the nature of the Group's operations and its principal activities is included in the Directors' report, which is not part of the financial report. The consolidated annual financial statements of the Group as at and for the year ended 30 June 2023 are available upon request from the Company's registered office at 23 Nina Link, Dandenong South, VIC 3175 or at www.bubsaustralia.com.

2. Basis of preparation and changes to the Group's accounting policies

2.1 Basis of preparation

The condensed interim consolidated financial statements for the six months ended 31 December 2023 are general purpose financial statements and have been prepared in accordance with Australian Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2023 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange listing rules and the *Corporations Act 2001*.

Going concern basis

The Group has prepared the Condensed Interim Consolidated Financial statements for the six months ended 31 December 2023 on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

At 31 December 2023, the Group is in a net current asset position of \$44.8 million (30 June 2023: \$35.4m). Following an equity raise of \$17.4 million in December 2023, the Group has \$27.4 million in available cash and cash equivalents at 31 December 2023 (FY23: \$26.1m) and \$9.8 million in committed un-drawn bank facilities (FY23: \$8.0m). The Group made a loss after tax of \$7.7 million for the half year ended 31 December 2023 (HY23: \$44.4m).

Net cash outflows from operating activities for the six months ended 31 December 2023 were \$12.2 million (HY23: \$20.9m) which included the following:

- Legal costs of \$1.3 million in relation to ongoing litigation matters;
- Enterprise resource planning (ERP) costs of \$0.6 million;
- U.S. Food and Drug Administration (FDA) costs of \$2.7 million; and
- Airfreight expenses of \$1.3m to meet higher than expected US demand.

Bubs Australia Limited and Controlled Entities

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 31 December 2023

The Group acknowledges the inherent uncertainty in earnings forecasts, which include assumptions such as:

- Increased ranging of products in the USA, increasing the number of stores for each product and the smaller tin sizes achieving projected sales volumes when they are rolled out in the US from June 2024.
- Attainment of the permanent U.S. Food and Drug Administration approval in FY25 to continue operating in the USA and managing expenses to obtain it. The Group is currently operating under discretionary approval until permanent approval is expected to be obtained in FY25.
- Continuing improvement of the working capital position through detailed demand planning and forecasting.
- Reduced operating expenses through stringent expense management, and cost optimisation and estimated expenses relating to litigation matters.

Due to the uncertainty surrounding the above matters, a material uncertainty exists which may cast doubt on the Group's ability to continue as a going concern and therefore whether it may be able to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the above, based on the current information and actions being taken, the Directors consider that it is appropriate for the financial report to be prepared on a going concern basis.

Should the cash flow forecasts not be achieved, there is a material uncertainty as to whether the Group will be able to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. The Condensed Interim Consolidated Financial Statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

Use of judgements and estimates

In preparing these condensed interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those described in the last annual financial statements.

2.2 New, revised or amending Accounting Standards and Interpretations adopted.

Several amendments and interpretations applied for the first time in the 2024 financial period. These new amendments and interpretations do not have a material impact on the consolidated financial statements of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Bubs Australia Limited and Controlled Entities
Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended 31 December 2023

3. Revenue from contracts with customers

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

	31/12/2023	31/12/2022
Type of goods and services	\$	\$
Sale of Infant Formula	29,551,274	26,467,408
Sale of Nutritional Products	1,024,892	1,409,302
Sale of Adult Goat Dairy Products	5,959,658	2,424,217
Sale of Raw Materials	2,297,789	102,065
Canning services	584,153	1,080,632
Total revenue from contracts with customers	39,417,766	31,483,624

4. Segment information

The Group has a single operating segment being the sale of nutritional food, adult powder and providing canning services of nutritional dairy products. Accordingly, the financial information presented in the condensed interim consolidated statement of profit or loss and other comprehensive income and condensed interim consolidated statement of financial position aligns with the level of information that is presented to the chief operating decision maker.

Geographic information

	31/12/2023	31/12/2022
	\$	\$
Australia	11,694,372	8,545,869
China	7,063,232	10,133,513
USA	18,151,632	9,834,260
Other International	2,508,530	2,969,982
Total	39,417,766	31,483,624

The Group had one external customer who generated greater than 10 percent of the Group's revenue for the six months ended 31 December 2023 amounting to \$9,839,134 (2022: 1 customer amounting to \$6,096,218).

Bubs Australia Limited and Controlled Entities
Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended 31 December 2023

5. Expenses

	31/12/2023	31/12/2022
	\$	\$
Cost of sales		
Production costs	30,523,437	20,522,656
Inventory provision/(reversal)	8 (10,344,654)	8,413,953
Total	20,178,783	28,936,609

Included in administrative and other expenses are the following:

Listing and registry fees	396,527	218,522
Accountancy and legal fees	1,502,346	1,537,723
Insurance	429,380	494,087
Travel costs	313,553	700,695
Consultancy fee	1,299,681	1,785,130
Occupancy costs	416,035	327,176
Expected Credit losses	860,621	2,076,900
Depreciation and amortisation	485,105	1,429,463
ERP expenditure	648,189	-
FDA Growth Study	2,745,617	-
Other costs	1,773,404	721,596
Total	10,870,458	9,291,292

Employee costs

Wages and salaries	6,552,940	5,278,974
Superannuation	493,469	506,090
Share based payments	217,619	1,978,458
Total	7,264,028	7,763,522

Total administrative and other costs

18,134,486 **17,054,814**

Finance costs

Interest expense	52,213	121,259
Interest expense on lease liabilities	53,322	67,842
Total	105,535	189,101

Bubs Australia Limited and Controlled Entities
Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended 31 December 2023

6. Loss per share (LPS)

	31/12/2023	31/12/2022
	\$	\$
Loss attributable to the Group used in calculating basic and diluted EPS	(7,669,927)	(44,398,464)
Weighted average number of ordinary shares for basic EPS	773,100,290	727,124,329
Basic LPS (dollars)	(0.01)	(0.06)
Diluted LPS (dollars)	(0.01)	(0.06)

7. Trade and other receivables

	31/12/2023	30/06/2023
	\$	\$
Trade debtors	20,850,018	14,373,217
Allowance for credit losses	(7,054,230)	(6,776,007)
Other receivables	1,146,111	266,982
Receivable from associates	51,061	50,395
Total	14,992,960	7,914,587

Key estimate and judgement

For trade receivables, the Group used the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group.

Bubs Australia Limited and Controlled Entities
Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended 31 December 2023

8. Inventories

	31/12/2023	30/06/2023
	\$	\$
Raw materials	21,101,714	10,715,938
Finished goods	16,787,702	35,278,479
Inventory provision	(15,055,850)	(25,226,925)
Total	22,833,566	20,767,492

Having regard to the significant inventories on hand, the expiry dates of the inventory and sales forecast, management recognised an inventory obsolescence provision of \$15,055,850 (2023: \$25,226,925). For the half year ended 31 December 2023, management revised the inventory provision and reversed \$10,344,654 for inventories sold and/or utilised during the period.

Key estimate and judgement

Estimation of net realisable value includes assessment of expected future turnover of inventory held for sale and the expected future selling price of such inventory. Management assessed the recoverability of inventories based on the estimated end consumer demand in the second half of FY24. Changes in trading and economic conditions, and changes in country specific regulations, may impact these estimations in future periods.

Bubs Australia Limited and Controlled Entities
Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended 31 December 2023

9. Intangible assets

	Goodwill	Brand name	Licence	Priority right	Customer contract/list	Recipes	Patents, trademarks and software	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
As at 30 June 2023	90,614,673	4,691,634	38,489,095	1,800,000	6,759,764	47,740	116,080	142,518,986
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
As at 31 Dec 2023	90,614,673	4,691,634	38,489,095	1,800,000	6,759,764	47,740	116,080	142,518,986
Accumulated amortisation and impairment								
As at 30 June 2023	(90,040,602)	(4,100,000)	(38,489,095)	(1,800,000)	(6,759,764)	(47,740)	(77,006)	(141,314,207)
Amortisation	-	-	-	-	-	-	(18,463)	(18,463)
Impairment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
As at 31 Dec 2023	(90,040,602)	(4,100,000)	(38,489,095)	(1,800,000)	(6,759,764)	(47,740)	(95,469)	(141,332,670)
Net book value								
As at 30 June 2023	574,071	591,634	-	-	-	-	39,074	1,204,780
As at 31 Dec 2023	574,071	591,634	-	-	-	-	20,611	1,186,316

Key estimate and judgement

In accordance with the accounting standard AASB 136 Impairment of Assets, the Group has conducted a review of indicators of impairment during the half year for each of the cash generating units (CGUs) to which goodwill and intangible assets have been allocated. Each CGU performance for the half year was ahead of forecast previously assumed in the impairment model at 30 June 2023 and no other indicators presented as at 31 December 2023. As a result, no impairment indicators noted for all 3 CGUs at 31 December 2023.

Bubs Australia Limited and Controlled Entities
Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended 31 December 2023

10. Share capital

	31/12/2023		30/06/2023	
	Shares	\$	Shares	\$
Movement in share capital				
Balance at the beginning of the year	751,357,408	340,568,767	612,775,580	274,851,116
Exercise of options	-	-	4,770,810	477,081
Placement of shares	139,006,000	17,375,750	121,193,439	63,020,588
Share issue transactions costs (net of tax)		(1,186,602)	-	(2,026,039)
Share issue to employees	1,766,630	-	3,075,959	-
Share issue to Willis Trading Limited	-	-	9,541,620	4,246,021
Balance at the end of the period	892,130,038	356,757,915	751,357,408	340,568,767

Fully paid ordinary shares carry one vote per share and carry right to dividends. Fully paid ordinary shares have no par value.

11. Share based payments reserve

The equity settled payments reserve is used to record the value of share-based payments. The movement in the share based payments reserve is as follows:

	31/12/2023	30/06/2023
	\$	\$
Balance at the beginning of the year	11,934,065	11,332,626
Share based payment expense	217,619	601,439
Balance at the end of the period	12,151,684	11,934,065

12. Subsequent events

No matters or circumstances have arisen since 31 December 2023 that has significantly affected or could significantly affect the reported results from operations or financial position for the period then ended.

13. Legal matters

The Group is party to ongoing negotiations to end its Chinese joint venture with Zhitong (Hangzhou) Health Technology Co. Ltd. The Group also has ongoing disputes with its former CEO and Executive Chairman and former customers – Alice Trading Ltd and Willis Trading Ltd.

The outcome of currently pending and potential future legal actions cannot be predicted with certainty. Such matters can raise complex legal issues and are subject to many uncertainties including but not limited to the facts and circumstances of each matter.

The Group has considered such matters which are or may be subject to claims, penalties, and litigation as of the reporting date and are of the opinion that any liabilities arising from such action would not have a material effect on the Group's financial performance or position in future years.

Bubs Australia Limited and Controlled Entities
Director's Declaration
31 December 2023

In the opinion of the Directors of Bubs Australia Limited (the 'Company'):

- a) The financial statements and notes that are set out on page 9 to 20 are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the financial position as at 31 December 2023 and its performance for the half year ended on that date; and
 - ii. Complying with Accounting Standard *AASB 134: Interim Financial reporting* and the *Corporations Regulations 2001*.

- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Katrina Rathie
Chair
26 February 2024



Independent Auditor's Review Report

To the shareholders of Bubs Australia Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying **Condensed Interim Financial Report** of Bubs Australia Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Interim Financial Report of Bubs Australia Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2023 and of its performance for the **Interim Period** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Condensed Interim Financial Report** comprises:

- Condensed Interim Consolidated Statement of Financial Position as at 31 December 2023;
- Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Interim Consolidated Statement of Changes in Equity and Condensed Interim Consolidated Statement of Cash Flows for the Interim Period ended on that date;
- Notes 1 to 13 including selected explanatory notes; and
- The Directors' Declaration.

The **Group** comprises Bubs Australia Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the 6 months ended on 31 December 2023.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



Material uncertainty related to going concern

We draw attention to Note 2.1 Basis of preparation in the Condensed Interim Financial Report. The events or conditions disclosed in Note 2.1 indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Condensed Interim Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Condensed Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Condensed Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Condensed Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Condensed Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

J. Carey

Partner

Melbourne

26 February 2024

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**Bubs Australia Limited and Controlled Entities
Independent Auditor's Review report
31 December 2023**

Appendix 4D Half year report

Name of entity

Bubs Australia Limited

ABN

63 060 094 742

Half yearly
(tick)

✓

Preliminary final
(tick)

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

1. Details of reporting period

Current reporting period	31 December 2023
Previous corresponding period	31 December 2022

2. Results for announcement to the market

					31 December 2022		31 December 2023
2.1	Total Revenue	Up	25%	from	\$31,483,624	to	\$39,417,766
2.2	Loss after income tax benefit	Down	83%	from	(\$44,398,464)	to	(\$7,669,927)
2.3	Loss after income tax benefit attributable to the members of Bubs Australia Limited	Down	83%	from	(\$44,398,464)	to	(\$7,669,927)

2.4	Dividends (distributions)	Amount per security	Franked amount per security
Current period:			
Interim dividend for the half year ended 31 December 2023		-	-
Final dividend for the year ended 30 June 2023		-	-
Previous corresponding period:			
Interim dividend for the half year ended 31 December 2022		-	-
Final dividend for the year ended 30 June 2022		-	-
2.5	Record date for determining entitlements to the dividend:	Refer section 5.0	

2.6 Brief explanation of any of the figures reported above and commentary on the results for the period:
Refer to the directors' report – Operating and financial review on page 7 of the Interim Report for the half year ended 31 December 2023.

Bubs Australia Limited and Controlled Entities
Independent Auditor's Review report
31 December 2023

3. Net tangible assets per security

	30 June 2023 Cents	31 Dec 2023 cents
Net tangible asset backing per ordinary security	5.39	5.55

4. Control gained or lost over entities during the period.

No control gained or lost during the period.

5. Details of dividends / distributions

Current period

No interim dividend is declared for the half year ended 31 December 2023.

For the year ended 30 June 2023, no final dividend was declared.

Previous corresponding period

No interim dividend was declared for the half year ended 31 December 2022.

For the year ended 30 June 2022, no final dividend was declared.

6. Details of dividend / distribution reinvestment plan

Current period

No interim dividend is declared for the half year ended 31 December 2023.

For the year ended 30 June 2023, no final dividend was declared.

Previous corresponding period

No interim dividend was declared for the half year ended 31 December 2022.

For the year ended 30 June 2022, no final dividend was declared.

7. Details of associates and joint venture entities

As at 31 December 2023, the Company has the following associate entities:

- 51% of the issued shares in Bubs Supreme Partner Pty Ltd
- 20% of the issued shares in Capela Dairy Nutrition Co. Pty Ltd

**Bubs Australia Limited and Controlled Entities
Independent Auditor's Review report
31 December 2023**

8. Accounting standards used by foreign entities

International Financial Reporting Standards.

Qualification of audit / review

- | | |
|---|---|
| <input type="checkbox"/> The accounts have been audited. | <input checked="" type="checkbox"/> The accounts have been subject to review. |
| <input type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have not yet been audited or reviewed. |

9. Attachments

Details of attachments (if any):

The interim report of Bubs Australia Limited for the half year ended 31 December 2023 is attached.

Signed



Katrina Rathie
Chair
26 February 2024

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