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MEDIA RELEASE

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SUBSTANTIAL PROGRESS MADE IN FACTORIES, FARMS, PRODUCTION EFFICIENCIES, SALES, MARGINS AND NEW PRODUCTS OVERSHADOWED BY ONE-OFF, NON-RECURRING RESTRUCTURING COSTS AND DROUGHT

- **Sales revenues grew to $84.8 million in FY19, an increase of 77% on the FY18 results**
- **As at 30 June 2019, BFC has forward sold 82% of its budgeted dairy production for 2019-20, at higher margins than in the FY19**
- **Restructuring actions have resulted in annualised cost savings of close to $6 million, and an increase in cash available to the business.**

A tough FY19 first half, primarily due to the flow on effects of the later-than-scheduled commissioning of BFC's new mozzarella plant was compounded by a drought-induced drop in milk supply in H2.

Overall milk throughput for FY19 was 103 million litres, being some 23% down on the budget of 130 million litres.

The severe drought conditions in Australia dramatically increased the costs of fodder, grain and other shed feed costs (by around two to three times) and more than doubled the input costs of our contract dairy farmers. These farmers responded by culling their herd numbers and use of high energy fields which in turn significantly reduced milk supply to our factories.

Milk supply from our BFC-owned farms was 17.1 million litres, close to 3 million litres higher than in FY18 as a result of the extensive improvements made on-farm over the past three years, which helped to mitigate the effects of the drought.

The reduced milk supply, along with the resulting higher milk prices, significantly increased milk conversion costs at the factories and reduced the quantity and range of dairy products that our newly established in-house sales team had available to sell.

Notwithstanding these challenges sales revenues grew to $84.8 million in FY19, an increase of 77% on the FY18 results. Margins on sales were progressively increased over the year.

The FY19 financial performance of the BFC Group was an overall statutory loss of $26.98 million, reflecting the effects of the drought, the equity impairment of NBI (reported in H1) and the impact of a number of one-off, non-recurring costs resulting from the extensive restructuring changes initiated in August 2018 and continued through H2.

The restructuring actions undertaken were in part a reflection of the changes necessary to enable the transition and growth of the business from a Phase 1 "start-up" to the "Phase 2 "consolidation" stage but were also necessary to reflect the realities of today's market conditions.

The results of these actions started to show through in H2, and particularly in Q4 with increased margins on sales, higher production yields, annualised cost savings of around $6 million, and an increase in cash available to the business.

As at 30 June 2019, BFC has forward sold 82% of its budgeted dairy production for 2019-20, all of which is contracted at higher margins than in the 2018-19 financial year.

BFC has achieved a number of important milestones over FY19, including:

- Increased the acquittal of milk supply into our own products to close to 100% (40% was traded out as raw milk in 1H19).
- Total production of mozzarella cheese in FY19 was 4387MT, up from 1244MT in FY18 (when the plant was installed and partially used).
- Completed the refurbishment and upgrading of the Jervois dairy fractionation plant and "switched on" the production of high value lactoferrin.
- Increased the production yields in our factories (now producing more cheese with less milk).
- Increased the productivity of our BFC owned farms with significant increases in milk production per cow.
- Restructured and repositioned Scorpio Foods (now renamed Provincial Food Group) after moving to 100% ownership in August 2018 with consolidation of operations into one factory at Shepparton, Victoria.
- Restructured and repositioned the BFC sales team to remove contracted third-party service providers and replace them with our own market-interfacing sales team with representatives on the ground in all mainland States.
- Re-set the cost base through all areas of the Company's operations.

The significance of achieving operating efficiencies and cost savings in the business, along with changes made in our sales and marketing operations, is apparent in the Q4 results of the Company. Demand for our products exceeded our capacity to supply in the period, with each month in the period showing positive operating cash flows.

The Q4 period of FY19 reflected an operational and financial rhythm in the business which we expect to be the normal, underlying, pattern of performance going forward.

Consistent with our long-term goal of producing healthy, safe and premium foods to growing consumer markets, we have:

- Become the major supplier to the Mexican themed casual dining chain, Guzman y Gomez (GYG) with unique fit-for-purpose cheese for GYG's 106 stores across Australia.
- Won 43 new medals for our "Edwards Crossing" brand of cheese products during FY19 (including the DIAA Award for Best Cheddar in Australia for the second time) bringing the total tally of medals to 113 in the last 3 ½ years.
- Increased consumer recognition of BFC's products via these awards and increased demand in food service and retail outlets (retail sales of BFC's cheese products increased by 206% in Q4).
- Secured three major new customers at Provincial Food Group (PFG) since February 2019 with initial orders of $10 million pa for gourmet burgers and other pre-cooked, ready-to-eat meal products.
- Developed substantial capability within PFG of plant-based protein food products. PFG is now one of the largest contract manufacturers of alternative meat products in Australia and the principal supplier to the Soulfresh Group.
- Created the opportunity for BFC to be the trusted provider of premium protein products in Australia, at a time when the demand for both meat and alternative meat products is rising significantly.

The Directors of BFC remain confident about the direction and future performance of the Company. Notwithstanding the drought-induced challenges in FY19 and the tough operating conditions, we have increased the top-line revenues margins and operating profits and cash flows over the previous financial year. We believe that we are in a good position to continue to build on the Company's strong foundations to extract increased earnings from incremental sales revenues in this next period.

The Chief Executive of BFC, Mr Jonathan Hicks, said it was important for shareholders to look at the extensive transformation which had been undertaken in the BFC business over the FY19 year.

"It is a case of looking past the paint work and lifting the bonnet to see what has been done to continue to grow and improve our business engine in this last twelve months.

The changes made by a number of the major dairy Companies in Australia in recent times has taken substantial production capacity out of the industry and opened up new opportunities for BFC.

Our confidence in the outlook for the Company is underscored by our forward sales volumes for 2019-20 (i.e. contracted sales volume, internationally and domestically).

BFC is a well collateralized business with significant hard assets and strong underlying asset values. We have a strong management team in place and strong operational capabilities with growth potential. We have re-set the cost base of the business over the FY19 financial year and established a sales team which is capable of continuing to grow both revenues and margins in FY20.”

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