

ASX RELEASE

17 December 2020

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**BESTON TO RAISE UP TO \$15.6 MILLION VIA
A NON-RENOUCEABLE ENTITLEMENT OFFER**

- **Raising up to \$15.6 million via a non-renounceable entitlement offer to:**
 - **Capitalise on the recently awarded SA Government grant for \$2.0 million to accelerate Stage 2 of the Lactoferrin plant expansion; and**
 - **Further upgrade Jervois dairy facility to extract further value from milk processed and facilitate efficient 24/7 operations**
 - **Stage 1 Lactoferrin expansion well underway, on time and on budget**
 - **Acceleration of the Stage 2 Lactoferrin expansion will deliver at least an additional 10 tonnes per annum of Lactoferrin from 160 ML of milk**
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Beston Global Food Company Limited (ASX: BFC, "Beston" or "Company") announces that it has initiated a rights offer to raise up to \$15.6 million through a pro-rata non-renounceable entitlement offer to shareholders ("Entitlement Offer"). We have received strong indications of support from existing institutional shareholders. In addition, the Entitlement Offer is underwritten by MST Financial Services and Aitken Murray Capital to the extent of \$7.25 million.

Purpose of Offer

The Entitlement Offer will capitalise on the recently awarded South Australian Government grant of \$2.0 million to accelerate the Stage 2 expansion of the Company's Lactoferrin plant at Jervois, in South Australia and provides the "top up" funds as required by the grant to meet the full costs of Stage 2.

Under the Entitlement Offer, Eligible Shareholders have the opportunity to subscribe for 1 New Share for every 2.5 shares held as at the Record Date, at an offer price of 6.5 cents per New Share. If fully subscribed, the Entitlement Offer will raise \$15.6 million.

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Eligible Shareholders who accept their entitlement in full will also have the opportunity to apply for Additional New Shares in excess of their entitlement. These Additional New Shares will be available should all Shareholders not take up their full Entitlement (subject to scale back at the sole discretion of the Company).

New Shares will not be offered to the general public.

Pricing

The New Shares are offered at an Offer Price of 6.5 cents per share, which represents a discount of approximately:

- 25% to the Company's closing share price on ASX of 8.7 cents on 16 December 2020 (which was the last full day of trades on the ASX before the announcement of the Entitlement Offer); and
- 18% to the theoretical ex-rights price ("TERP") of 8.0 cents per share reflecting the Entitlement Offer; and
- 70% to the implied share price of 21 cents derived from recent independent Company valuations.

The offer price is 23.5% below the price at which the institutional placement was made in June of this year to fund the Stage 1 expansion and reflects the decision of the Board to reward the loyalty of the Company's shareholders.

Use of Funds

The principal purpose of the Entitlement Offer is to meet the conditions of the \$2.0 million SA Government Regional Growth Fund grant awarded to partly fund the acceleration of the Stage 2 expansion of the Lactoferrin plant, the key condition being that Beston funds the balance of the costs associated with the Stage 2 expansion.

The Entitlement Offer proceeds will also be used to fund the purchase of some ancillary equipment required for the increased production of Lactoferrin and mozzarella at Jervois to ensure that the plant is able to operate reliably on a 24 hour/7 days a week basis with higher planned milk intake.

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The table below provides further detail on the use of the net funds (after deduction of costs) from the Offer.

	Cost	Capital item	Comments	Timing ¹
Stage 2 lactoferrin expansion 	\$1.5m	2 nd lactoferrin extraction column	Deliver additional FY22 lactoferrin production of ~10 T based on 160 ML of milk supply	Mar-21
Stage 2 lactoferrin expansion 	\$7.0m	Lactoferrin spray drier and packing	Ability to broaden offering of dried lactoferrin product at a premium price	Mar-22
Stage 2 lactoferrin expansion 	\$1.0m	Other	Includes critical spares and testing equipment	Mar-21
Govt funding 	(\$2.0m)	SA Govt Regional Growth Grant	Conditional upon Beston funding the residual stage 2 costs	Feb-21
Jervois upgrades 	\$2.25m \$0.75m	2 nd Boiler 2 nd Multivac	Boiler increases reliability for 24/7 operations, Multivac increases handling rate for higher mozzarella production	Dec-21 Sept-21
Jervois upgrades 	\$2.1m	Milk silo expansion	Increase milk storage capacity by 1 ML	Jul-21
Jervois upgrades 	\$2.0m	Mozzarella automated packing	Automate end-of-line packing and palletising of mozzarella	Dec-21
Total uses 	\$14.6m			

Funds for the construction of the Stage 1 expansion (to take Lactoferrin production capacity from 3 tonnes per annum (“Tpa”) to 12 Tpa) were raised in an equity placement with institutional shareholders in June 2020. This construction work is well progressed and is due for completion at the end of February 2021 (with production expected to commence in March 2021).

The amount of the grant from the SA Government will enable Stage 2 of the planned expansion to commence immediately, thereby further increasing the production capacity of the Lactoferrin plant to around 25 Tpa. The plant expansion has important benefits in increasing Australia’s self-sufficiency in the production of immune-boosting Lactoferrin and will have significant flow-on benefits to South Australia’s dairy farmers as milk throughput at Jervois increases. With increased milk supply, the increased Lactoferrin production will be able to supply around 5% of the growing global market for Lactoferrin.

In BFC’s presentation for the ASX on 22 June 2020, The Company noted the cost of the Stage 2 expansion of the Lactoferrin plant would be approximately \$9.0 million. Additional testing equipment is required, bringing the total cost to

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approximately \$9.5 million. The \$2.0 million grant from the SA Government is conditional on the Company funding the balance of \$7.5 million for this work.

By commencing the Stage 2 work now, a lot of the construction requirements for this stage can be undertaken contemporaneously with Stage 1, thereby bringing forward the timing of increased production and saving considerable costs when compared to undertaking Stage 2 as a separate project, sometime in the future.

Commenting on the Offer, Beston's CEO Jonathan Hicks said "The raising of up to \$15.6 million through a non-renounceable entitlement offer will allow Beston to accelerate its Lactoferrin expansion at a time when global demand for Lactoferrin is increasing significantly. The opportunity to take our production capacity well beyond the 12 Tpa from the Stage 1 expansion to above 20 Tpa will be subsidised by the \$2.0 million SA Government grant, for which the Company is extremely pleased and grateful. The accelerated expansion will have significant flow on effects for the local Murraylands economy, for dairy farmers and for the nation as a whole" he said.

Mr Hicks noted that as part of the Company's expanded product offering, Beston will install a spray dryer to be able to offer Lactoferrin to the global market in a different form than the current freeze dried product, thereby expanding the market opportunities and supporting further growth in profit margins.

"The timing of the expansion has coincided with the appointment of a new operations management team at the Company's dairy facilities, headed by Frank Baldi, who previously worked with Freedom Foods and Bega Cheese and has extensive experience with dairy nutraceuticals. With Frank at the helm of operations, we are confident that the Stage 2 expansion will be delivered at the same time as the Stage 1 expansion, and within the costing parameters which have been set" he said.

Significance of Lactoferrin Plant Expansion

Lactoferrin is an iron-binding glycoprotein which is known to be essential in boosting the immune system in the human body. It has anti-bacterial, anti-viral, anti-parasitic and anti-allergic functions and properties.

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Importantly, particularly in the context of the current COVID-19 pandemic, it has been shown to suppress virus replication by affecting natural killer cells in the human body which play a crucial role in the early stages of viral infections.

Clinical trials are underway around the world on the efficacy of using Lactoferrin as a treatment for COVID-19. Although the number of trials are limited to date, the early results may indicate that Lactoferrin may inhibit coronavirus from replicating in the human body.

The findings have further increased the global demand for Lactoferrin, particularly in Europe and China, where it is known as “pink gold” because of its price (around \$1,500 per kilogram) and reddish hue after processing. Market studies undertaken before the advent of COVID-19 predicted that demand for Lactoferrin would increase by around 60% over the next few years.

The plant expansion has important benefits in increasing Australia’s self-sufficiency in the production of immune boosting Lactoferrin and will enhance the bio-security of the nation.

Further Information

The offer is non-renounceable and therefore entitlements are not tradeable on the ASX or any other exchange, or otherwise transferable. This means that existing shareholders who do not take up their entitlement will not receive any value for their entitlement, and their proportionate interest in Beston will be diluted.

The Entitlement Offer is partly underwritten by MST Financial Services and Aitken Murray Capital to the extent of \$7.25 million (being the “top up” amount as required under the conditions of the SA Government grant).

An Offer price of 6.5 cents per share, which represents a discount of 25% to Beston’s last closing price of 8.7 cents on 16 December 2020 will be offered under the terms of the Offer. The Entitlement Offer will close on 18 January 2021, with settlement expected on Monday 25 January 2021, and allotment and normal trading of these new shares expected on Wednesday 27 January 2021.

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The Entitlement Offer, when launched, will be open to all eligible shareholders who have a registered address within Australia, New Zealand, Hong Kong and Singapore (or other jurisdictions as agreed by the Company) and whom were on Beston's register as at 5:00pm (EDT) on Wednesday 23 December 2020. The launch of the Offer and its timetable is subject to the usual regulatory approvals from the ASX and ASIC. Upon launch of the Entitlement Offer, eligible retail shareholders will receive an Offer Booklet with further details, including how to subscribe for shares as well as the terms and conditions of the Entitlement Offer. This Offer Booklet is expected to be distributed shortly.

New shares issued under the Entitlement Offer will rank equally with existing Beston shares from their date of issue.

Investor Presentation

Further details of the Entitlement Offer are contained in the investor presentation released on the ASX platform today.

Indicative Timetable

Key dates relating to the Entitlement Offer are identified in the table below. The dates provided are indicative only and subject to change. The Company, in consultation with the Joint Lead Managers, reserves the right to amend this indicative timetable subject to the Corporations Act and the ASX Listing Rules. In particular, the Company reserves the right to extend the Closing Date to accept late applications.

Key events and dates	
Equity Raising announcement	Thursday, 17 December 2020
Ex Date	Tuesday, 22 December 2020
Record date for determining entitlement for the Entitlement Offer	Wednesday, 23 December 2020
Dispatch of Offer Booklet and Entitlement Offer opens	Tuesday, 29 December 2020
Entitlement Offer closing date	Monday, 18 January, 2021
Announcement of results of Issue	Thursday, 21 January, 2021
Issue and Allotment of New Shares under the Entitlement Offer	Monday, 25 January, 2021
Normal trading of New Shares issued under the Entitlement Offer and dispatch of Holding statements	Wednesday, 27 January 2021

This ASX release was approved and authorised for release by Dr Roger Sexton AM, Chairman.

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Beston Global Food Company is a proud South Australian multi award-winning company taking the best of Australian produce to the world with fresh milk supplied by valued farmers. The company provides direct and indirect employment for nearly 300 people. For more information please visit: www.bestonglobalfoods.com.au

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