

ASX / MEDIA RELEASE

29 January 2021

SHAREHOLDER ENDORSEMENT OF BESTON STRATEGY

- **Majority shareholder support for Beston Board**
 - **Key resolutions passed, paving the way for final stage of ten-year Business Plan**
 - **Dairy and lactoferrin infrastructure upgrades to drive material production growth**
 - **Near-term focus on lifting earnings, return on capital and free cash flow generation**
 - **New internal appointments bolster dairy and lactoferrin capability**
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Beston Global Food Company Limited (ASX: BFC, "Beston" or "Company") is pleased to advise that key resolutions at the adjourned Annual General Meeting ("AGM"), held earlier today, were passed with a majority in line with the Board's recommendations. Board and Management would like to thank those shareholders that backed the key resolutions that will now allow Beston to move forward with confidence into the final stage of its ten-year Business Plan.

The Chairman of Beston, Dr Roger Sexton AM, said: "We are extremely pleased with the voting support received from shareholders at today's AGM. Since the 2019 AGM we have engaged with many shareholders, with a large majority supportive of the strategic direction the Company is taking. We are now in the final stage of our Business Plan, which is focused on realising value from our investments. These will include the upcoming completion of the Lactoferrin Plant expansion and upgrades at the Jervois facility, which will allow the facility to operate reliably on a 24 hour/7 day a week basis with higher planned milk intake. We believe that these upgrades,

ACN 603 023 383

LEVEL 9, 420 KING WILLIAM STREET, ADELAIDE, SOUTH AUSTRALIA, 5000
bestonglobalfoods.com.au - TELEPHONE +61 8 8231 2777 - FACSIMILE +61 8 8212 8992

once complete, will deliver shareholder value creation in the near-term and for many years to come."

Dr Sexton said that Beston has encountered a perfect storm over recent years in building its business, with two years of drought which was then followed by the COVID-19 coronavirus. The Company has nevertheless "stayed the course" and is in the final throes of delivering on its ten-year business plan. "We have never run away from the challenges faced or said it was too hard. What we have done is to maintain our focus on the end goal and move systematically and purposely toward it," he said.

He told shareholders that Beston was an Australian Company and wanted to stay that way. Among the many milestones achieved, Dr Sexton said that Beston has increased Australian food security and, with the expansion into nutraceuticals, was also increasing the nation's bio-security.

Key AGM outcomes

Five resolutions were put to shareholders at today's AGM, with three of the five resolutions approved. Resolution 1, the approval of the remuneration report, received a 'second strike' as voting did not achieve the 75% threshold required for approval. The Contingent Spill Resolution was however voted down by a majority of shareholders as was the election of non-board endorsed director candidate Mr Yuan Ma.

In the Explanatory Memorandum circulated for the Meeting, the Board of Beston noted that the Investment Manager, Beston Pacific Asset Management ("BPAM"), is responsible for the remuneration and related costs of the key executives of Beston and, as such, the Company does not directly pay the remuneration disclosed in the remuneration report. Historically, the actual costs incurred by BPAM in meeting these remuneration costs have exceeded the management fee paid. Accordingly, there was therefore no logical justification or reasoning for shareholders to vote against the remuneration report.

As announced on 11 December 2020, an in-principle agreement has been reached to terminate the IMA and internalise management functions within Beston (subject to review, completion and execution of legal documentation, and approval by shareholders). The relevant documents have now been completed and signed. Final

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termination of the IMA will be contingent upon a resolution being passed by shareholders at an Extraordinary General Meeting on 28 May 2021.

Dr Sexton said that the ‘second strike’ recorded against the remuneration report was yet another example of the “Two Strikes Rule” not being used for its stated purpose and shows the ease with which it can be exploited by activist shareholders for reasons other than remuneration.

With all other resolutions passed, Board and Management now have a mandate to continue the drive to implement Beston’s strategic imperatives and deliver on its earnings objectives. As part of this, Beston will be seeking to complete its \$15.6 million non-renounceable entitlement offer (“Entitlement Offer”), which will fund new infrastructure at the Company’s Jervois facility.

Entitlement Offer

On 11 January 2021 Beston announced that its Entitlement Offer, raising up to \$15.6 million, would close on 3 February 2021. The Entitlement Offer will secure a \$2.0 million SA Government Regional Growth Fund grant, to accelerate Stage 2 of the Lactoferrin plant expansion, by providing the \$7.5 million cost balance, as well as fund equipment needed to ensure the Jervois facility is able to operate reliably on a 24 hour/7 day a week basis.

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 \$0.065 per New Share. If fully subscribed, the Entitlement Offer will raise \$15.6 million, with eligible shareholders who accept their entitlement in full being able to apply for additional New Shares in excess to their pro rata entitlement. These shares will become available should all shareholders not take up their full entitlement (subject to scale back).

For further information on the Entitlement Offer please refer to ASX releases dated 17 and 29 December 2020.

Outlook

Beston is well advanced on the implementation of its strategic imperatives and is now in the final stage of its ten-year Business Plan, which it expects will be transformational in the near-term in lifting earnings, generating a return on capital,

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and delivering free cash flow. The following achievements have recently taken, and are taking, place in line with the Company's strategic imperatives:

- Milk supply growth of 111 million litres in FY20 to between 131 and 145 million litres for FY21.
- Mozzarella production of 9,100 tonnes in FY20, expected to increase to around 13,000 tonnes in FY21.
- High value Lactoferrin production of 1.4 tonnes per annum in FY20, expected to increase exponentially to at least 20 tonnes per annum, as a result of accelerating Stage 2 of the nutraceutical plant expansion.

While a large portion of the Entitlement Offer will be used to expand the Lactoferrin production capacity, funds will also be used to increase milk storage capacity at Jervois, acquire a second boiler and Multivac machine, and install robotic handling equipment (for packaging and palletising at the end of the mozzarella line). These purchases are expected to increase the efficiency of operations and mitigate the risk of shut-down, as the Jervois facility ramps up production and plant capacity utilisation.

New Staffing Appointments

To further position Beston as a market leader in dairy and nutraceuticals, a number of key appointments have been made to bolster the capability of the operations team.

Mr Frank Baldi was appointed to the position of General Manager, Operations and Supply Chain (refer ASX release dated 7 December 2020). Mr Baldi has over 20 years of experience in dairy manufacturing, having worked at Freedom Foods and Bega Cheese, specialising in the production of Lactoferrin. Since Mr Baldi joined the team, the following key additions have been made:

- Elijah Kumar – appointed to the position of Production Manager, Lactoferrin and Powders, on 7 December 2020. Elijah has a strong background in processing dairy by-products, particularly in relation to evaporation and nutritional spray drying plants. Elijah was previously with Freedom Foods.
- Dr Sinuo (Snow) Tan – appointed to the position of Senior Laboratory Technician Dairy Protein, on 13 January 2021. Snow holds science degrees from China and Australia (University of Melbourne), recently completed a PhD in Chemistry at Monash University, and is a research specialist in dairy proteins.

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- Mr Mark Wye – appointed to the position of Work Health and Safety ("WHS") Manager, on 18 January 2021. Mark has extensive skills and experience across WHS matters in several different industries and sectors, particularly manufacturing.

The CEO, Jonathan Hicks, commented that the high calibre of recent appointments will significantly enhance the Company's "bench strength" in its dairy and nutraceutical manufacturing operations, which will in turn underpin the profitable delivery of Beston's nutraceutical products to market.

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

FOR FURTHER INFORMATION PLEASE CONTACT:

John Hicks
Chief Executive Officer
+61 8 8470 6500
jhicks@bestonglobalfoods.com.au

Darren Flew
Chief Financial Officer
+61 8 8470 6500
dflew@bestonglobalfoods.com.au

Social Media Handles:

Facebook:
@bestonglobalfoods
@edwards.crossing
@mablesaustralia

Twitter:
@BestonGlobal
@edwards_crossing
@mablesaustralia

Instagram:
@bestonglobal
@edwardscrossing
@mablesaustralia

ABOUT BESTON GLOBAL FOOD COMPANY LIMITED

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.