BESTON
GLOBAL FOOD COMPANY

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Dear Valued Shareholder,

We have again been extremely busy over the last few months, as you would understand from our various announcements, but are pleased with the progress we have made against some key milestones, and in particular with our Lactoferrin plant expansion (as below).

As you will be aware from these announcements, our CEO John Hicks has taken 3 months compassionate leave commencing 19 April 21. I am sure you will all join us in wishing John well over the next few months.

Your management team remains focused on delivering our immediate goals to ensure we enter FY22 with both our Lactoferrin plant and mozzarella plant operating reliably and with the capability to generate maximum value from our FY22 milk supply and a positive operating profit.

Our factory operations are headed by Frank Baldi who was promoted to Chief Operating Officer in April, reflecting the significant contributions which he has made since joining Beston and his broader responsibilities within the Company going forward.

We continue to focus on building strength and depth in the people we have running our operations to make sure that we have the right people in place who can extract the most value from the investments we have made at our diary factories, as well as our meat factory at Provincial Foods in Shepparton.

Lactoferrin Plant Expansion Update

A major activity in the last few months has been the installation of the new Lactoferrin plant at Jervois. We experienced some delays in having the fractionation columns air freighted from Europe due to COVID-19 restrictions, but were able to pick up much of this time by working 24/7 once the columns arrived.

The early results from the new plant exceeded our expectations, with first run purity levels over 95%, as announced on 9 April, 2021 (the expectation was that the first runs would produce purity levels around 85% and that we would gradually fine tune the plant to get it up to 95% purity levels).

As a result of the progress made, and the delivery of both Stage I and Stage 2 of our Lactoferrin plant expansion, we are now offering two forms of Lactoferrin to the market:

- TrueFerrin - high grade Lactoferrin, true to its natural form with high levels of purity (90% to 95%)
- MediFerrin — our highest grade Lactoferrin, greater than 95% purity, with high bioactivity to support medical grade supplements.

We are extremely grateful for the support, and the vision, which the Marshall Government in South Australia has shown in awarding Beston with a Regional Development Grant of $2.0 million to bring forward Stage 2 of our Lactoferrin plant expansion.

The expansion project has had significant flow-on employment effects but has also enhanced the bio-security capabilities of Australia. Lactoferrin is known and widely recognized around the world for its immune-boosting properties, and early trial studies indicate that Lactoferrin may be used as a safe and effective natural agent to prevent and treat COVID-19 infection.

The global Lactoferrin market is growing strongly and is set to surpass AUD450 million by 2027 according to Global Market Insights Inc (GMI), which GMI attribute in part to the increasing awareness of the anti-viral properties of Lactoferrin. With the new plant which has been installed at Jervois, BFC will have the capacity to produce around 5% of the global demand for Lactoferrin.

The new Lactoferrin plant remains in the hands of the contract engineers at present while the fine-tuning of the operational settings and final commissioning is undertaken. Our specialist nutraceuticals operations team is assisting this process with a view to achieving final handover of the plant by the end of May.

On the completion of the commissioning activities in May BFC will have:

- Two new Lactoferrin columns and the required upfront skim milk processing facilities to be able to produce up to 20T of liquid Lactoferrin per annum from our current milk supply of 145ML and up to 25T per annum when we increase our milk throughput to 180ML; and
- Capacity to freeze dry up to 12T pa of liquid Lactoferrin concentrate.

Full run rate Lactoferrin production capabilities should be achieved in June. The total project costs of the Lactoferrin plant expansion remain in line with the c. $13m project estimate.

Samples of our Lactoferrin produced from the new columns have been sent to customers, a number of whom are overseas. Customers typically wish to check the specifications of the product we will supply before placing their orders. We expect this process to take several weeks. In the meantime, we are focussed on completing the final commissioning steps as discussed above and working with new customers on their forward requirements.

<u>Milk Supply</u>

We are now at the beginning of the annual milk supply re-contracting period. We are targeting to have 155ML of milk supply for FY22, which will enable us to produce about 20T of Lactoferrin in liquid concentrate in FY22 and around 16,000MT of mozzarella. Approximately 60% of the Lactoferrin concentrate will be freeze dried in our facilities and some will be dried by a third party or sold as liquid Lactoferrin until the new spray dryer is received and commissioned early in the 2022 calendar year.

After that we will have sufficient in-house capacity to dry all of our Lactoferrin in either freeze-dried or spray-dried form, which will serve us well as different customers prefer one or the other, based on their particular use of Lactoferrin (eg Japan tends to use more Lactoferrin in spray dried form).

Milk supply from our contract dairy farmer suppliers remains very strong. We have experienced around 5% growth from our suppliers who have responded positively to a better season and our market milk price by increasing production. Milk supply for 3Q21 was 35.1ML for the quarter, down 17% from 42.0ML in 2Q21 due to seasonal factors. We nevertheless expect that our target of 155ML for FY22 will be achieved from our existing supplier base.

Covid-19

We remain vigilant and cautious about the impacts of COVID-19 in Australia and internationally. Our employees have operated under appropriate, strict COVID-19 protocols without incident.

While the Australian Government has indicated that it may be mid 2022 before our nation returns to some form of "normality", the COVID-19 pandemic has shown that biological viruses may be a thing of the future and that natural immune-boosting products such as Lactoferrin may well have an important role to play in helping to provide ongoing protection and treatment.

As previously explained, COVID-19 impacted on our business during 2020 due to the significant downturn in food service demand when restaurants and other food service outlets were forced to close.

The broader impacts of COVID-19 on our business continues to be felt in a couple of ways. On the supply chain side, we have had some issues sourcing some materials in a timely manner, especially services and spare parts from suppliers based in Europe. On the demand side, we continue to see dairy producers from other countries placing parcels of product into the market cheaply which has impacts on competitive price points for uncontracted volumes.

In the PFG business, customers are now re-engaging about new supply opportunities in light of improvements in the Australian food services sector.

Immune+, our new berry flavoured mineral water drink in a 250ml can, is currently being produced. After some delays with supply of the cans due to COVID-19 shutdowns, we are pleased to advise that the product will be in stores shortly (initially in South Australia and then expanding to other States).

Sales

Sales revenue for the quarter was $31m, $28m for the dairy operations and $3m for the meat operations. Dairy sales were slightly up on 2Q21 reflecting better production performance despite lower milk supply.

As we have noted previously, we have felt the effects of COVID-19 on our business through softer demand and therefore some lower prices for short term spot sales of some products. Producers inventory backlogs from earlier periods continue to find their way into the domestic market, creating price pressures. Our average realised mozzarella price was about 2% lower in 3Q21 than in 2Q21.

At PFG, engagements with potential new customers have picked up in recent months. Last week we agreed a new supply arrangement for premium hamburgers that will add approximately $300k pa to revenue with potential to grow if the customers' business continues to grow as it has done. This is the first significant new sales contract for several months and the prospects of gaining additional sales over the coming months from a number other new customers opportunities appear to be good as confidence and economic activity pick up.

Operational Overview

The plant improvements undertaken in December saw mozzarella production increase in 3Q21 to 3,424MT, up 16% from 2,954MT in 2Q21 and with increased on-specification volumes. This was achieved despite a 17% seasonally lower milk volume in 3Q21 of 35.1ML compared to 42.0ML in 2Q21. This is a record level of production for the factories with March production of 1,213MT being the highest production month ever.

Whilst very pleasing to see the improved performance at Jervois, further work is being undertaken over the next few months to fully address all of the issues that came to the fore in 2Q21 and ensure we exit FY21 where we want to be. The Company experienced a second shutdown for the year (in April) at the Jervois factory (the previous one being in 2Q21 as advised in our last CEO letter) while work was being undertaken on the gas supply line by our gas provider. The shutdown in April was used to undertake some further work on plant maintenance and rectifications but limited mozzarella production for the month to 796MT, with 4.5ML of milk sold out to accommodate the shutdown process. The plant was brought back online following the shutdown without incident.

The key outcomes for the quarter and year to date are summarised in the table below, along with revised guidance for FY21.

	FY21 Guidance	March 21 QTR	March 21 YTD	March 20 YTD	December YTD 20 v YTD 19
Milk Supply - ML	142-148 (was 131-145)	35.1	108.8	84.8	+28%
Mozzarella Production - T	12,000 – 13,000 (was 12,600-14,700)	3,424	9,071	6,951	+30%
Lactoferrin Production - T	3.0 – 4.0 (was 4.0-6.0)	0.00	0.64	0.76	-16%
Group Revenue - $m	119-125 (was 130-145)	31	86	77	+12%
Gearing - %	24-30 (was 28-34)	na	24	59	-25%pts
Capital Expenditure[1] - $m	16-20 (was 24-28)	3	10	5	+5m

Guidance for mozzarella production and Lactoferrin production has been reduced to reflect the impacts of COVID-19 on the business and the plant shutdown events as discussed above. Revenue guidance has also been reduced reflecting lower dairy volumes available for sale and slower sales growth at PFG. Previous commentary on guidance indicated we would be at the higher end of the reported range for milk supply, which has been increased, and the lower end of the range for production and revenue items, which has been decreased.

Strategic Imperatives

The following table shows progress achieved in recent months against our five strategic imperatives:

Grow Milk Supply	138ML milk supply contracted for FY21 will be exceeded and targeting c. 155ML for FY22
Capacity Utilisation	Nearly all milk received being processed to cheese. Mozzarella plant capacity utilization increased from 49% in FY20 to ~65% in FY21 and ~80% in FY22.
Sales Pipeline	Sales of mozzarella domestically and internationally growing. COVID-19 continues to impact domestic food services customers but signs of recovery evident
Product Mix	Mozzarella sales expected to be >95% of total FY21 cheese volumes. Lactoferrin upgrade to be completed in May21. New product development will add to margins
Dairy Nutraceuticals	Lactoferrin from skim milk acceleration will further expand capacity and increase earnings for FY22

Closing Comments

While the journey taken by Beston over the first three quarters of FY21 has been somewhat bumpy, we have continued to progress forward with the implementation of our strategic imperatives to meet our key business objectives and to produce positive operating profits.

Our overall achievements have been recognized in recent weeks in a report prepared by the Financial Times in conjunction with Nikkei Asia (Japan) and Statista (Germany) on Asia's 500 fastest growing companies. The Financial Times report identified Beston as the fastest growing food and beverage company in Australia and the second fastest growing food and beverage company in the Asia Pacific region with an average annual growth in revenues of 63% over the period 2016 to 2019.

This is no small feat. To be selected from over a million companies spanning over 13 countries and ranked amongst the Top 500 Fastest Growing Companies in the Asia Pacific region is a testament to the hard work which has been done by our management team, and indeed, by everyone employed in Beston.

We are now very much in the final stages of delivering on the strategic imperatives set out at our 2019 AGM (as above), which has included the sale of the dairy farms (in 2020), the restructuring of our balance sheet and increasing our nutraceutical production with expansion of our Lactoferrin plant.

We will complete this phase of our strategic plan by 30 June 21, largely on time and on budget and enter FY22 with a significantly enhanced dairy-based production capability. Increasing the production of Lactoferrin and a continued focus on mozzarella production will deliver higher returns for every litre of milk that we process.

Although COVID-19 has impacted our business over the last 12-15 months, in a number of different ways, we do see signs of COVID-induced pressures easing in Australia. We continue to receive orders and new inquiries from international customers, primarily in South east Asia, which is encouraging for our forward outlook.

The Company has come through the challenges of the COVID-19 environment well, largely due to the quality and dedication of our personnel. I would again like to acknowledge the effort and contribution of all of our employees in this challenging environment.

On behalf of the management team, I sincerely thank you for your support to date. I hope that you will continue to support our Company, including by voting in favour of the resolution being put to the Extraordinary General Meeting being held on 28 May 2021.

Finally, the management team and I look forward with great enthusiasm to what we can deliver for shareholders over the next six to twelve months.

Kind regards

Darren Flew
Acting Chief Executive Officer