

**CHAIRMAN'S ADDRESS AT  
THE ANNUAL GENERAL MEETING OF  
BESTON GLOBAL FOOD COMPANY LIMITED**

**Held on Friday 24 November 2023  
commencing at 10.30am (Adelaide time)**

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Good morning Ladies and Gentlemen.

INTRODUCTION (Slide 1)

Welcome to this 2023 Annual General Meeting of the Beston Global Food Company.

I am Roger Sexton, the Chairman of the Company and will be chairing today's proceedings.

AGENDA (Slide 2)

This meeting will deal with the items set out in the Notice of Meeting that was distributed to all Shareholders. We have a number of formalities to deal with including consideration of the Company's Annual report, the adoption of the Remuneration report and the election of Directors.

WELCOME (Slide 3)

I would now like to introduce the Directors of the Board of the Beston Global Food Company who are in attendance today:

- Mr Stephen Gerlach AM
- Ms Cheryl Hayman;

- Mr Neil Longstaff; and
- Mr Kevin Reid, who was appointed as Deputy Chair by the Board in August this year and will assume my role when I retire from the Board next year.

Two of our Directors, Cheryl Hayman and Neil Longstaff, come up for election today and I will address these elections and re-elections later in the meeting.

I note that Linzi Carr from Ernst & Young, who are our Auditors, and our legal counsel, Andrew Corletto from Minter Ellison are in attendance and I welcome them.

I thank our auditors, advisors and bankers, along with all of our shareholders for making the effort to join us today.

The Company Secretary has confirmed that we have a quorum and recorded apologies from:

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I would like to welcome all our shareholders and guests and especially Mr. Zihao Shen and Ms Ning Liu who have come from China to attend the AGM and are representing one of our shareholders, the Dalian Hairunlai Group.

In August last year, Ms Joanna Andrew advised that she wished to step down from the Board because of the increasing work load at her legal practice.

The Board of BFC resolved not to fill the vacancy left by Joanna for the time being in order to keep costs down. However, Joanna has remained on stand by to help us wherever she can and has kindly provided this venue today to enable us to conduct our AGM at minimal cost. We thank you Joanna, and all of your support staff who have been most helpful in putting in place the logistics for today's AGM.

## ANNUAL REPORT (Slide 4)

I will now move onto the formal part of the meeting. This past financial year has been challenging both for Beston and the whole of the dairy industry in Australia. As other major industry participants have noted, the 2023 Financial Year presented some of the most complex, diverse and rapidly changing challenges the industry has ever seen, even taking into account the difficult years of Covid.

During the first half of the FY23, the company was tracking well against its operating and financial targets, which gave us the confidence to issue a full year EBITDA guidance of \$8 to \$10 million.

As we progressed into the early part of the second half, however, we were hit by a series of external cost shocks – such as domestic rises in energy and fuel prices, increased costs of packaging, chemicals and logistics and significant increases in insurance premiums – at the same time as we experienced a rapid fall in global commodity prices. Interest rates also jumped which, along with other cost-of-living increases, had flow-on effects to the wage rates paid to employees.

These sudden and substantial cost/price pressures were exacerbated by the high farmgate milk prices being paid to dairy farmers in Australia.

The closing milk price paid to farmers for the FY23 year was \$9.81kgMS versus \$7.52kgMS paid in FY22 (i.e., a 31% increase). This was the highest ever price paid for milk by BFC (nearly double the price paid when we started out in 2015) and added \$23.1 million to our cost of production for the year. All of these cost increases had to be absorbed into the business in the second half of FY23.

As a result of these developments, we did not finish the year where we intended or expected to be. That said, however, these new stresses imposed on the business did have the effect of demonstrating the resilience of our business model and the resourcefulness of our management team to address the challenges we were, and are, faced with.

The management team did a great job in taking actions to extract higher sales margins via price increases and product mix changes to counteract many of the

cost increases (as was shown in the presentation released to the ASX on 31 August 2023).

The trading results for FY23 showed a significant upturn in the underlying performance of our core dairy business as our CEO will explain shortly. The company's trading EBITDA showed a substantial improvement of \$14.5 million compared to the previous fiscal year (despite the enormous cost / price pressures) via a number of actions including by achieving capacity utilisation in the mozzarella plant and "stretching our milk" to produce 18.5 tonnes of high value Lactoferrin.

#### KEY MESSAGES (Slide 5)

In looking at what was achieved in FY23, it is important to recognise that BFC has built a very significant business within the dairy industry of South Australia and now plays a very important role within the economy of the State. In terms of our corporate score card, we have achieved almost all of the objectives we set out to deliver in our original strategic plan:

- From a standing start in 2015, we are now processing over 150 million litres of milk per annum, which is around one-third of all the milk produced each year in South Australia.
- We are operating our mozzarella plant at close to capacity and producing over 15,000 tonnes of premium mozzarella per annum with a wide spread of high quality customers, including Woolworths and McCains.
- We produced just over 18 tonnes of high-purity Lactoferrin in FY23, which will increase in FY24 to well over 20 tonnes per annum with the addition of our 3<sup>rd</sup> Lactoferrin column (which was delivered and installed last month).
- We have grown total revenue from close to zero in 2015 to over \$170 million in FY23.
- We have been able to attract a world class management team to join us. Our CEO, CFO and CMO all left large global food companies to join BFC. That is, they "voted with their feet" and would not have done so if they thought that our company was on the wrong track.

- Our strategic objective of generating value for shareholders by “extracting value from every drop of milk processed” is proving its worth by way of the Lactoferrin extraction yield being achieved – a record production of 18.5 tonnes in FY23.
- We have worked very hard over the years to establish great working relationships with the contract dairy farmers who supply milk to our factories every day (the “lifeblood” of our business). Our achievements in this area were demonstrated when we won the “Best Dairy Processor – Dairy Farmer Relationship” award in the recent SA Dairy Association Awards.

### BUSINESS STRATEGY (Slide 6)

Despite these significant achievements, and a lot of support from a large number of shareholders along the way, we have been asked by a few of our shareholders and external observers as to whether our business strategy is right for the industry in which we operate.

The short answer is ‘yes’ ..... we did not rebuild the dairy factories at Jervois and Murray Bridge simply to be another dairy processing company. Our objective, from the outset, has been to extract ‘pink gold’ (as the Chinese call it) from our milk ... which of course is high value Lactoferrin.

### CORPORATE SCORE CARD (Slide 7)

We believe that the 10 year business strategy which we put in place from the outset is the right one for our shareholders. We have undertaken and successfully achieved, a huge number of capital investment projects during our short history, as shown in this corporate scorecard slide.

Our business strategy has been demonstrating its relevance and resilience in a number of ways:

1. Our focus on high value dairy products, and not simply on bulk commodity dairy products (such as butter, cream and milk powders), has enabled BFC to be resilient in the face of adverse market developments.

2. The core objective in the strategic plan to “extract maximum value from every drop of milk processed” has enabled BFC to substantially increase its gross margins as operations have scaled up by producing Lactoferrin in increasing volumes in FY23 (Lactoferrin sales of 21.5 tonnes were up by 172% versus FY22).
3. The extraction of Lactoferrin in commercial quantities is very capital intensive and requires that a high volume of milk be processed, which BFC has now achieved with over 150 million litres per annum throughput.
4. From the equity funds raised last November, we have recently installed our 3<sup>rd</sup> Lactoferrin column to increase the production of this high value nutraceutical. In addition, we have been trialling the use of skim milk concentrate, which is a waste byproduct from some other dairy factories, to extract Lactoferrin. The trials are innovative and in their early stages but have been very successful to date. Obviously, the more Lactoferrin we can produce, and the higher the market price, the more profit margin we can generate.
5. Prior to Covid-19, Lactoferrin was selling for as much as AUD \$2,300 – \$2,800 per kilogram. Currently it is selling for around AUD \$850 – \$950 per kilogram. Independent estimates indicate that the demand for Lactoferrin will significantly outstrip supply over the next 10 years. If Lactoferrin prices return to their periodic average of AUD \$1,200 - \$1,300 per kilogram, the additional profit margin generated on the production of every tonne of Lactoferrin will be AUD 0.5 million (i.e. at 20 tonnes of production, the price impact would result in an additional profit contribution of \$10 million).

As I touched on earlier, there is no doubt that within a relatively short period of time, our Beston Global Food Company has become a substantial and important contributor to the South Australian economy. We make direct payments to dairy farming families of around \$105 million each year, currently, and generate economic activity in regional areas of the State of at least \$500 million per annum as a result of our operations.

While we have achieved most of what we set out to achieve in our ten year business strategy, in less than that time, we acknowledge that our share price is horrible. That said, it does not reflect anywhere near the intrinsic value of the Company. I will return to this point later, but I can assure you that the Board and the management team are working hard ... very, very hard ... to be able to tick off that last major objective in our corporate scorecard list, that is, to produce a consistent, sustainable positive net profit after tax.

There are many moving parts in the dairy commodity space at present which could have significant impacts on our earnings results either positively or negatively within a short space of time. I can assure you that we are not relying upon (or waiting for) an increase in the global price of Lactoferrin or other external adjustments to occur in the prices of global dairy commodities in order to increase our bottom line results. A number of proactive actions have been taken by the Board and the Management Team to further improve revenues and reduce costs and ensure that we have a well defined pathway to profitability.

We have also identified a number of options for corporate actions to help shareholders to realise value from what has been achieved to date and are currently looking to appoint corporate advisors to assist the Company in exploring these different options and bringing one or more to fruition, sooner rather than later. To explain some of these actions and provide a business update on the Company, I will now hand over to our Chief Executive, Fabrizio Jorge.

INVESTOR PRESENTATION

Thank you Fabrizio. Ladies and Gentlemen, are there any questions of Fabrizio on his presentation or any related matters you would like to raise?

#### GENERAL BUSINESS (Slide 8)

I will turn now to the formal business of the meeting as went out in the Notice of Meeting.

The purpose of today's meeting is to deal with the formal business as set out in the Notice of Meeting.

The Notice of Meeting including an Explanatory Memorandum was made available to shareholders on 23<sup>rd</sup> October 2023. If there are no objections and, in an effort to expedite proceedings, I will take the Notice of Meeting as read. Copies are available from the company's website.

Thank you.

#### VOTING PROCEDURE (Slide 9)

Voting today will be conducted by way of a poll on each item of business.

When you registered for today's meeting you should have been given a voting card. If you have not received a card, then please go to the registration desk outside the meeting room. Only those holding a voting card are entitled to speak and vote at today's meeting. Please complete your voting card with your voting preferences as each resolution is considered.

At the conclusion of the meeting staff from Link Market Services will collect your completed voting card. Please make sure your card is collected so that your votes are counted. Votes will be counted after the end of the meeting and results published on the ASX and Beston's website.

I appoint Tonii Rains of Link Market Services to be returning officer and to conduct the poll.



Shareholders are reminded that your Board recommends that you vote FOR all resolutions.

All undirected proxies that have nominated the Chairman of the Meeting as their proxy, will be voted FOR all resolutions.

The Company Secretary has advised me 207 valid proxies representing approximately 760 million Shares or 38% of the shares on issue have been received. These will be reported to the ASX for each resolution with the results of the meeting.

The proxy votes received for each resolution will be displayed on the screen before discussion of each resolution and putting the resolution to a vote. To provide some context, the current number of Beston shares currently on issue is approximately 2 billion.

As each item of business is considered, I will invite questions from shareholders.

Please raise your voting card if you wish to speak to the meeting to ask a question or make a comment. Please introduce yourself before asking your question or making comment after I have acknowledged you.

## FINANCIAL STATEMENTS AND REPORTS (Slide 10)

The first item of business is to receive and consider the Company's financial statements and independent audit report for the year ended 30 June 2023.

The Annual Report containing these reports was distributed to shareholders and announced to the ASX on 29 September 2023.

I hope everyone has found time to read it.

As you know a large part of the document is mandated by Law and by Accounting Standards. However, we do try to ensure it is useful as well as compliant.

For now, I am happy to take questions on the Financial Statements and Reports.

Are there any questions or comments on the financial report of the Company? Shareholders are also welcome to ask questions of the Company's Auditor, Ms Linzi Carr, who is present today.

We will now move to the Resolutions to be considered at this meeting.

#### ADOPTION OF THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2023 (Slide 11)

The first resolution is for the adoption of the remuneration report for the year ended 30 June 2023.

Section 250R (2) of the Corporations Act requires that the remuneration report be adopted at the annual general meeting.

The operation of the shareholder approved Employee Incentive Plan commenced in the FY23 financial year. In accordance with the approved Scheme, the Board has set key performance indicators for management around financial, strategic and operational targets, as reported in the 2023 Annual Report.

The Employee Incentive Plan is open to six members of the senior management team.

Based on the profit gateway not being achieved, no STI awards were payable for FY23 under the terms of the EIP.

The Board nevertheless retains discretion to recognise the performance of executives outside of the set formula in the EIP. Accordingly, and taking into account the strong achievements made in a number of key areas of the Company's operations (e.g. milk supply, production, sales and margins), particularly against the challenging economic circumstances during the year, the Board resolved to pay cash bonuses to a number of KMP executives. Based on a review of performance against KPIs, the bonus equated to 75% of the amount which would have been payable if the profit gateway had been met.

A number of independent reviews undertaken on the Company have noted that the remuneration policies and practices of the Company are in line with Australian investor expectations.

With that background explanation, I now move that shareholders consider, and if thought fit, pass Resolution 1 as set out in the notice of meeting to adopt the remuneration report.

“That, for the purpose of Section 250R(2) of the Corporations Act, the Company adopt the Remuneration Report for the period ended 30 June 2023 as set out in the Directors’ Report in the 2023 Annual Report.”

The details of the proxy votes received are now displayed on the screen.

Are there any questions? [DISCUSSION]

There being no [further] questions I will now put the motion to a vote as an ordinary resolution.

Please record your vote on your voting card.

#### RE-ELECTION OF MS CHERYL HAYMAN AS A DIRECTOR (Slide 12)

I now move that shareholders consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That Ms Cheryl Hayman, having offered herself for re-election in accordance with Clause 58 of the Company's Constitution and being eligible, be re-elected as a Director of the Company.”

The Board has unanimously recommended the re-election of Cheryl.

A summary of Cheryl’s skills and experience is contained in the Explanatory Memorandum. As has been our practice in the past, I invite Cheryl to say a few words about herself.

The details of the proxy votes received are now displayed on the screen.

Are there any questions? [DISCUSSION]

There being no [further] questions I will now put the motion to a vote as an ordinary resolution.

Please record your vote on your voting card.

RE-ELECTION OF MR NEIL LONGSTAFF AS A DIRECTOR (Slide 13)

I now move that shareholders consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That Mr Neil Longstaff, having offered himself for election in accordance with clause 59 of the Company’s Constitution and being eligible, be re-elected as a Director of the Company.”

The Board has unanimously recommended the re-election of Neil.

A summary of Neil’s skills and experience is contained in the Explanatory Memorandum. I will now invite Neil to say a few words about himself.

The details of the proxy votes received are now displayed on the screen.

Are there any questions [DISCUSSION]

There being no [further] questions I will now put the motion to a vote as an ordinary resolution.

Please record your vote on your voting card.

## APPROVAL OF 7.1A ADDITIONAL 10% PLACEMENT CAPACITY (Slide 14)

Under this Resolution, the Company is seeking approval for the authority to grant equity securities up to 10% of its issued capital over a 12 month period, in accordance with Listing Rule 7.1A (that is without using the Company's "15% in 12 months" placement capacity). As noted in the Notice of Meeting, it is not the present intention of the Company to use this additional placement capacity, if approved.

I now move that shareholders consider, and if thought fit, pass the following resolution as a special resolution:

"That pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 over a 12 month period on the terms and conditions set out in the explanatory memorandum."

The details of the proxy votes received are now displayed on the screen.

Are there any questions? [DISCUSSION]

There being no [further] questions I will now put the motion to a vote as a special resolution.

Please record your vote on your voting card.

## AMENDMENTS TO CONSTITUTION (Slide 15)

The changes to the Constitution proposed in this Resolution are aimed, simply, at bringing the Company's Constitution into line with recent changes in the regulatory landscape, and in particular relating to the ability to hold meetings of members virtually.

On 1 April 2022 permanent amendments were made to the Corporations Act allowing for companies to hold wholly virtual meetings but only if expressly permitted under their Constitutions. The proposed amendments to Clause 32.4

will clarify that a general meeting may be held by the Company in one of three ways:

1. At a physical venue ('physical meeting')
2. At one or more physical venues using technology ('hybrid meeting', which is a physical meeting linked with online facilities to allow remote participation); or
3. Using virtual meeting technology only ('virtual meeting', where all members participate online)

This resolution is a special resolution under the Company's Constitution and as such, will require a 75% majority of votes cast.

In putting forward this Resolution, I would point out that it is the Company's intention to continue to hold physical, or possibly hybrid meetings, and not to have virtual-only meetings. Indeed the Board enjoys our physical interactions with shareholders and having the opportunity at the AGM for shareholders to mingle with the Board and staff.

The proposed changes have only been put forward to enable the Company to have the flexibility to conduct meetings in virtual-only format if needed.

The Directors unanimously recommend that shareholders vote in favour of this Resolution 5. The Chairman intends to vote undirected proxies in favour of Resolution 5. I now move that shareholders consider, and if thought fit, pass the following resolution as a special resolution:

"That for the purposes of section 136(2) of the Corporations Act and for all other purposes, the Constitution of the Company be amended in the manner set out in the accompanying Explanatory Memorandum, with effect from the close of the Meeting."

The details of the proxy votes received are now displayed on the screen. Our Company Secretary, Richard Willson, would be pleased to answer any questions on these proposed changes to the Constitution.

Are there any questions? [DISCUSSION]

There being no [further] questions I will now put the motion to a vote as a special resolution.

Please record your vote on your voting card.

CLOSE

That is the last of the resolutions to be considered by shareholders.

Are there any questions that have not been addressed as we have moved through the resolutions?

[DISCUSSION]

There being no [further] questions I will now ask Tonii as Returning Officer to collect the voting cards and count the votes. After the votes have been counted, the results of the poll will be released to the ASX and will be displayed on the company's website.

That concludes the formal business of this Annual General Meeting. In closing I would like to circle back briefly and summarise the key messages which we would like you to take away from this AGM.

As we look back on this past financial year, there is no doubt that it was a year marked by turbulent economic conditions and rapid changes in commodity markets which gave rise to many dynamic challenges. These challenges included significant cost/price pressures in the second half that were not expected, or at least to the extent that we experienced.

As we increased our capacity utilisation over the year:

- We purchased more milk, which increased in price by 31% on FY22
- We purchased more gas and electricity which went up in price by more than 300%

- As a result of all these changes, we increased the reinstatement value of our plant which, together with global premium increases, has pushed up insurance costs by over 40%
- We used more labour to process the greater volume of milk which, along with Fair Work Commission wage rises, pushed up labour costs

While we passed on some of the cost increases incurred during FY23, our ability to do so has been constrained by the dislocation in dairy commodity markets where an artificially high price paid for Australian milk vis-a-vis New Zealand milk and European milk has led to a wave of foreign imports of dairy products.

For the first time in history, Australia has become a net importer of dairy products whereas traditionally, it has always been a net exporter and indeed, in the past has been one of the largest per capita exporters to global markets.

A key message which we want shareholders to draw from the presentation today is that Beston is not just standing by and waiting for commodity markets to correct or for other like changes to occur. Instead we are actively working on several fronts to:

- Firstly, reduce our costs of production with capex projects designed to reduce our cost of water, reduce our cost of gas and reduce the cost of our annual insurance premiums.
- Secondly, to enhance our operating productivity and increase yields via capex programs which have now been substantially completed such as with the recent installation of our new whey separator and our third Lactoferrin column.
- Thirdly, to push the envelope with innovative measures to extract more from less such as via the very successful work we have done in using skim milk concentrate to process mozzarella and lactoferrin.
- Fourthly, to increase sales margins on our product mix with a re-launch into the branded retail space with our 'Farmers Tribute' range of products.



As I touched on earlier, the Company is also reviewing a number of different corporate actions which could bring forward the realisation of value for shareholders. The Company recently asked its independent external valuers Peleton Group to apply its existing methodology to the conservative 5 year revenue and earnings forecasts produced by Management. That exercise produced a valuation range which aligned closely to the independent asset valuations undertaken recently by JLL Valuers on our land and buildings and plant and equipment.

None of these valuations are reflected in the market price of the Company of course and hence the Board and Management has compiled a range of options for corporate actions which could help to crystallise some or all of the intrinsic value of the Company within the next 12 to 18 months. Some of these options recognise the consolidation and rationalisation that is expected to be taking place in the Australian dairy industry over this period. The Company is in the process of appointing corporate advisors to assist the Board and Management in evaluating all the options which have been identified and help steer the best path forward to realise value from all the hard work which has been done to date.

With these closing comments, I now declare the meeting closed.

Thank you for your attendance today.