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

Held at
Mayfair Hotel
45 King William Street, Adelaide, South Australia
on
Thursday, 28 November 2019
commencing at 10.30am (Adelaide time)

INTRODUCTION

Good morning Ladies and Gentlemen.

On behalf of the Board, I would like to welcome you to Beston Global Food Company's Annual General Meeting.

I am Roger Sexton, the Chairman of Beston Global Food Company.

I ask that you ensure that your mobile telephones are on silent mode or switched off.

AGENDA

At today's meeting, we have a number of formalities to deal with inclusive of the consideration of the Group's 2018 Annual Report, the adoption of the Remuneration Report and the re-election of two Directors.

WELCOME

With me, sitting at the front of the room, are your Directors:

Catherine Cooper

Petrina Coventry

Stephen Gerlach

Jim Kouts

Ian McPhee, and

Company Secretary, Richard Willson

I am also pleased to welcome Brad Pollock representing our auditors Ernst & Young, our legal counsel Andrew Corletto from Minter Ellison, and Link Market Services, who will assist as required in the counting of votes in respect of all resolutions to be put to the meeting.

I am also pleased to welcome our many guests from interstate and overseas. These include our bankers from:

NAB

Barry Wilhelm

Stephen Stegmeyer

Jacobi Modra

ANZ

Craig Chapman

Joel Drefke

APOLOGIES

We have received apologies from:

Mr Dequan Liu, Chairman, Dalian Hairunlai Group Co., Ltd (DHG)

XXXXX

Are there any other apologies?

We will now proceed with presentations on our Annual Report. In the interest of keeping my Chairman's Address as brief as possible, so you can have more time to hear from Jonathan, I have split the AGM speech which I initially wrote into two parts.

A lot of the detailed information which I wish to share with you has been taken out of my initial draft and put in a Letter to Shareholders. (For those of you who are present here today, there is a copy for you on your chair. For those of you who have not been able to attend today, the Letter to Shareholders is being posted on the ASX website as I speak).

With our various presentations here today, we would like you to come away with answers to two key questions which we have been asked by several of our shareholders in recent months to our factories:

>> Slide 1

Firstly, what have you done to re-set and re-focus the business after completing the build-out phase of the business plan?

Secondly, what are you doing to capitalise on all the investment in the factories and on the farms to drive earnings (and generate dividends) going forward?

These are both excellent questions and between myself, Jonathan and Darren, we intend to give you clear and concise answers so that you leave our AGM with a far better understanding of the BFC business you invested in than when you arrived here today.

I would be grateful if you could hold any questions that you might have on these presentations, or on the Annual Report itself, until the end of the presentations.

CHAIRMAN'S REPORT

Last year, at this AGM, I stood here in a somewhat different capacity as Executive Chairman, having stepped in to take on an executive management role while the Board went through the process of appointing a new Chief Executive.

I was pleased to be able to report at that meeting that we were taking a number of strategic decisions to re-set and re-focus the core business of BFC . . . and that we had completed a thorough Executive search process and selected a CEO who we believed was the right person for the next phase of development of the Company. That person, as we subsequently announced, was Jonathan Hicks who I am pleased to introduce to you today.

Jonathan will provide you with a comprehensive run down on the current operations of the Company, and the forward steps which have been taken by him and the management team in the second half of the financial year, after he joined on 7 January 2019. Our Chief Financial Officer, Darren Flew will also speak briefly after Jonathan on the financial results for the 2018-19 Fiscal year.

Along with many of our peers in the dairy industry, BFC recorded a significant loss in the FY19 year after absorbing substantial write downs and impairments primarily on inventories, investee equity investments and restructuring costs. Our statutory result was an overall loss of $26.8 million (including the $5.9 million impairment for NBI).

When the various impairments and one-off restructuring costs are stripped out, as we have done on page 14 of the Annual Report the normalised result (adjusted NPAT) was a loss of $5.2 million. While we were very disappointed with this outcome, of course, it showed a significant improvement on the operating result in the previous year and showed that we are tracking in the right direction.

Jonathan will expand on this point shortly. But before handing over to him, I want to provide you with a brief perspective on the important strategic decisions which were made in the first half of the Financial Year . . . decisions which have re-set the business of BFC and provided the basis for achieving scaleable, profitable growth in FY20 and beyond. These strategic decisions are explained in more detail in the Letter to Shareholders which we have issued today.

>> **Slide 2**

Key Strategic Decisions

In my report to you at this AGM last year, I outlined the progress which had been made in putting in place the foundational building blocks of the Company to achieve our objective of establishing Beston Global Food Company as a leading Australian based supplier of safe, clean, healthy food and beverage products to the world's growing consumer markets.

Without re-visiting the progress report I presented last year, it is worth reflecting, briefly, on where we have come from as a Company.

When BFC started out, we had no milk (other than from our own farms), no operational factories, no brands, no market presence and no operational licences (including no export licence). BFC was a start-up business with a sales and profit profile for the first three years which was largely based around a single customer in China.

>> **Slide 3**

As we stand today, BFC is a Company with:

- Annual revenues of around $85 million (up by 77% on the previous year).

- Cheese production capacity of some 30,000 Metric Tonne per annum.

- A fully refurbished world class Mozzarella plant at Jervois with state-of-the-art Italian made processing equipment.

- Five strategically located dairy farms in south-eastern South Australia which now carry a herd of 3,600 cows (up by 23% on last year).

- Capabilities and capacity in the production of dairy nutraceuticals, especially high value Lactoferrin.

- 114 Australian and International Awards for Quality.

- A wholly owned meat processing business (Provincial Food Group, Shepparton Victoria) which also has capacity and capability in the production of plant-based alternative meats.

>> **Slide 4**

We have come a long way in our quest to achieve the objectives which we set out at our IPO.

We have had a lot of adversity thrown at us along the way . . . but we have done what we said we would do.

We have achieved average year-on-year growth in revenues of 65% per annum since our IPO in 2015 and built a business which has a key focus on the production and supply of protein to growing consumer markets in Australia and the rest of the world.

The benefits of the achievements we have made in growing our revenues should not be underestimated. We have not simply grown the revenue line for its own sake.

The objective in growing to a $100 million turnover Company as we will be this year, has been quite deliberate. That is, to give us critical mass on the production side of the business and to give us credibility and clout on the market side of the business.

>> Slide 5

I have talked previously about our corporate objectives of delivering on the three C's in the first stage of our business plan . . . that is achieving **Capacity**, **Capability**, and **Credibility**.

We have achieved all three of these objectives.

We were very much a new player in the food industry when we started. To be taken seriously, especially by global food service companies, we needed to have the Capacity and Capabilities to deliver on orders and be of sufficient size to have a market presence (that is, with Credibility and Clout as a supplier).

Notwithstanding all the important achievements, in meeting our three **C** objectives, we have not as yet achieved our earnings and dividend objectives.

After working through and completing the first phase of our growth plan . . . and fixing, focussing and building out our dairy business . . . the Board resolved that a number of key strategic decisions needed to be taken to re-set the business and increase profitability to achieve our bottom line objectives. These decisions have been based around restructuring the business, leadership changes, consolidating our corporate footprint and repositioning our export market activities.

>> Slide 6

I will briefly explain each of these very significant decisions which we undertook and implemented during the first half of this 2019-20 Financial Year.

1. Restructuring Changes

   The Company announced a number of significant restructuring changes in August 2018 after I took on the executive management role as Executive Chairman for a period, pending the appointment of a new CEO. The changes resulted from a comprehensive review of BFC's operations across all areas of the business: factories, farms, warehouses, customers, systems, people and culture.

   Over the period from August to December 2018, net operating costs of in excess of $1.0 million (on an annualized basis) were taken out of the business, and a number of significant permanent cost savings were locked in as a result of the changes made (as are explained in the Letter to Shareholders).

2. Leadership Changes

   On 8 August 2018, we announced that CEO Sean Ebert had stepped aside to take on the short term role of Dairy Division Manager, and on 28 November 2018, the Company announced that Jonathan Hicks had been appointed as the new CEO and would take up the position on 7 January 2019.

Jonathan has come to BFC with a wealth of knowledge and global experience in the Dairy Industry. He is a Cheese Maker by training and spent the early part of this career working for dairy companies and retail supermarket companies in the UK. Over the last 30 years, Jonathan has held senior positions within the Australian Dairy Industry, including with Bega Foods.

As explained to the market at the time, the appointment of Jonathan reflected a strategic decision by the Board of BFC to increase the utilization of the productive capacity at BFC's dairy factories to drive profitability while at the same time shifting more of the Company's sales revenues into higher margin earning segments of the market . . . such as dairy nutraceutical products . . . and pursuing its focus on being a protein business.

3. <u>Consolidation of Corporate Footprint</u>

As we have moved through the process of implementing our business plan over the past few years, we have progressively evaluated our investments, major assets and commercial partnerships against both our corporate and our financial objectives.

In particular, this evaluation has focussed on whether these investments, assets and partnerships continue to support our key strategy, whether they can be scaled up and whether they will enable us to achieve our target returns on capital.

This evaluation process led us, for instance to the decision to divest our interests in B-d Farms Paris Creek in December 2017, to fully impair our investment interests in health and nutrition business, Neptune Bio Innovations (NBI) and to divest our interests in the seafood business of Ferguson Australia. (The details have been provided in various ASX announcements and are summarised in the Letter to Shareholders.)
The decisions made by the Board on these matters in the first half of FY19 have simplified our core business and reduced our corporate footprint. They have also enabled the management team to be singularly focussed on the core business of dairy and meat (and meat alternatives).

4. <u>Repositioning of Export Market Activities</u>

During the first half of FY19, the Board examined alternative models for achieving our growth objectives in export markets, particularly in China and South East Asia.

The imperative was to achieve those objectives in a more cost-effective manner, while building on the brand presence we have established in these markets in recent years.

A number of strategic sales and distribution arrangements were put in place with parties which are commercially and culturally aligned with BFC to enable the Company to manage and operate export sales opportunities largely out of Adelaide. This enabled BFC to commence the winding down of its two main offices in China and Thailand in the second half.

Consistent, quality business has been growing in a number of key export markets, especially China, Thailand, Malta, Vietnam, Philippines, South Korea, Canada and Japan in recent years and we expect that our market footprint in these countries will continue to expand in FY20.

As a result of implementing these key strategic decisions, the Company generated a number of redundancies and restructuring costs, significant domestic and international inventory disposals and costs and other non-recurring transitional costs, as I highlighted earlier.

Our Chief Financial Officer, Darren Flew, will explain the impact of these events on our financial results in more detail in his presentation to follow on from Jonathan's CEO Report.

>> Slide 7

Putting the changes into perspective

Putting all the strategic decisions into perspective, and by way of summary, we have re-set the focus of BFC over this past financial year to enable us to leverage more effectively on the foundational building blocks which have been systematically put in place over the period since our IPO. The re-set has included:

- bringing our sales team in-house with key appointments in sales and marketing to replace contract third parties;
- reducing operating costs and cost exposures;
- removal of non-core (non value-adding) activities;
- putting more of our milk into our own products and particularly higher value products;
- capitalising on our new product development (NPD) skills and track record with innovative niche products; and
- restructuring and repositioning our now wholly owned Provincial Food Group to capture new contract opportunities;

>> Slide 8

The re-set of the business has positioned BFC around a number of strategic imperatives which will be key drivers in growing revenues and profits going forward. These imperatives include:

- **Capacity utilisation:** making greater use of the productive capacity which we have built over the past four years in our dairy and meat factories.

- **Sales pipeline:** greater utilisation of the sale pipeline which has now been established, with a broadening and deepening of sales relationships;

- **Product mix:** further increasing the proportion of mozzarella products and other high value milk derivative products in the sales/production mix;

- **Growing milk supply:** from 103ML to 110-120ML in the near term, and;

- **Dairy Nutraceuticals:** increasing the production of high value Lactoferrin and other dairy nutraceutical products.

I will now hand over to our Chief Executive, Jonathan Hicks, who will report on our operational activities and give an overview of how all of these strategic imperatives are being implemented across the Company and how we are now using the Mozzarella plant, and its potential going forward.

CEO PRESENTATION

Thankyou Roger.

>> Slide 9: J Hicks CEO

I am very pleased to be here today in my capacity as the Chief Executive of the Beston Global Food Company.

Unless you have attended one of our shareholder factory visits during this year, this will be the first time that many of you will have heard me speak. I would encourage you therefore to make contact with me at the end of the AGM when we have some drinks and nibbles, and make yourself known so that I can put faces to names . . . and answer any questions that you may not wish to put forward formally during the course of this meeting.

As the Chairman has explained, the business of BFC has been strategically re-set over the past twelve months around a number of key imperatives. What I am going to do is to further explain and expand on those imperatives to give you all a better understanding of how the business is driving forward under my leadership in FY20 and beyond.

Before doing that however, I would just like to say, from my perspective, as the new CEO, what an exciting business we have at Beston and how much potential we have for the future. I have worked in very large Companies in the dairy industry in the past, but none of them have provided the opportunities which I genuinely see at Beston.

That is why I put my hand up late last year to be considered for the position of Chief Executive.

As I said to the Chairman the other day, it is far easier, in a company of the size of BFC, to be innovative and nimble in taking advantage of opportunities than what it is in large $1 billion plus turnover companies. At Beston we have the drive and ability to change.

I am now going to tell you how we are taking advantage of the opportunities in front of us via our focus on the five key imperatives for the core dairy business as mentioned by the Chairman.

>> Slide 10: Five Strategic Imperatives

1. <u>Capacity Utilisation</u>

One of the important outcomes of the Phase one “build out” stage of development undertaken by the Company is that we have built significant capacity into our dairy business over the past few years. Prior to the fourth quarter of the 2017-18 fiscal year, cheese production by the company related only to cheddar and other hard cheese products at Murray Bridge.

With the commissioning of the Mozzarella plant at Jervois in the latter part of FY18, our capacity for the production of dairy products has increased from some 10,000MT per annum to around 30,000 MT per annum and has also diversified our product range, very significantly.

In the 2018-19 financial year Mozzarella production increased from around 20% in the previous year to 76% of total production, which also increased the volumes of high value by-products produced, especially whey powder, cream and lactoferrin.

The installation of our new state-of-the-art Mozzarella plant at Jervois, South Australia has been transformative for the Company. It has been a game changer, as was intended… and as the Company expected it would be.

Having seen many of the Mozzarella plants around the world let me assure you that the Jervois plant is at least equal to the best I have seen, if not better. It is world class. The Mozzarella plant has enabled us to produce other dairy products in commercial quantities, such as cream and butter, and have an adequate supply of liquid whey to operate our Dairy Protein Extraction Plant for the manufacture of Lactoferrin.

BFC’s Jervois facility is one of only three major Mozzarella factories of scale in Australia. Our new plant has the flexibility to manufacture different types of Mozzarella cheese products as well as the capacity to significantly expand production over time. Pleasingly, as we have got better at operating the plant, we have been able to significantly improve our production yields . . . that is, to produce the same amount of Mozzarella with less milk. Productivity improvements like this have an extremely positive impact on earnings, given that milk is our number one input cost.

However, we currently utilise about 40% of our installed processing capacity. The most valuable growth contribution we can achieve over the next few years is to increase the utilisation of our production capacity. I will comment on this further shortly.

2. Sales Pipeline

The Chairman reported to you at the last AGM that a process was underway to bring our sales functions back in-house, away from third party service providers, and build our own sales team.

Since doing so, the Company has achieved significant increases in sales volumes and built both breadth and depth into our sales pipelines. BFC now has its own market facing sales team with representatives on the ground in all mainland States.

Overall sales revenues for the Company were $84.8 million for the 2018-19 financial year. Volumes lifted through the year, along with increases in margins, as the sales pattern settled down and accelerated in 2H19 with repeat business, the securing of term contracts and price management.

While retail revenues grew progressively over the period by around 32% on the previous year, the proportion of sales going into food service more than doubled (i.e. 35% of sales compared with 16% in the previous period).

A number of very important supply partnerships were also put in place during fiscal 19. For example, BFC partnered with the Mexican-themed casual dining chain, Guzman y Gomez to develop, trial and manufacture a range of preservative free cheeses for their 110 stores across Australia. Following the success of this work, BFC has entered into a Supply Agreement with GYG to be their principal Australian cheese supplier. GYG are looking to expand their dining platform by 30 new retail outlets over the next twelve months, which will add significantly to their orders for BFC made cheese.

The size of our committed customer base more than doubled over the course of the financial year. In concert, we also had a deepening of the sales pipeline such that as at 30 June 2019, 82% of our forward sales volumes were allocated to customers.

The Australian Food Service market is forecast to reach $100 billion by 2024.

Importantly, these trends have enabled us to put more of our milk supply into our own production and reduce milk trading. In this current year, we expect that less than 10% of our milk will be traded out (largely to meet existing contractual relationships) whereas the proportion of milk sold as raw milk has ranged from as much as 30% to 40% in previous years.

BFC has had a history from day one, of being innovative in its product development. We were the first in market with our “Fancy Bites” dairy snacking products and the “Entertainers Selection” pack. We recently launched a Mables Cream Cheese pack into Costco stores in China and will soon be launching a kids snacking product called “Buddy Bites” and ready-to-go Italian and Mexican Melt Cheese packs into retails stores in Australia.

The aim, with all these sales initiatives is to deliver a point of difference, along with A grade customer service, so as to command higher margins and lock in a repeat customer base.

Significant progress has also been made in building our international sales pipeline.

Total sales to international markets increased by more than tenfold over the previous year and currently represent around 10% of our sales revenues. Importantly also, we saw a widening in our customer base from supplying products to 4 countries in FY18 to 9 countries in FY19. Based on the geographic penetration and growing market presence now achieved in export markets, we expect that international sales revenues will constitute an increasing proportion of our total revenues going forward.

3. Product Mix

When BFC restored the factories to commercial use and commenced selling in FY16, around 75% of the sales consisted of cheddar and raw milk sales. In the latter months of FY18, the Mozzarella plant came on line and sales of Mozzarella cheese commenced, contributing around 10% of sales by the year end.

As I noted a few moments ago, the proportion of production accounted for by Mozzarella in FY19 was around 76% and we expect that proportion could increase further in this financial year.

Following on from the commissioning of the Mozzarella plant, we have been able to increase the volume (and value) of whey powder produced along with other by-products, namely, butter, cream, and lactoferrin. In short, we have significantly diversified our product mix and in doing so, increased the margins earned on sales.

>> Slide 11: Mozzarella v Cheddar

Mozzarella production, due to its higher returns and higher yields provides around a 60% better margin than cheddar production per litre of milk used.

The numbers speak for themselves:

One tonne of cheddar production generates no cream, 480 kilograms of whey powder and 200 grams of lactoferrin.

One tonne of Mozzarella production generates 175 litres of cream, 480 kilograms of whey powder and 350 grams of lactoferrin.

Hence, the more milk we can put into Mozzarella production, the more margin we can generate . . . and the reason that much of our sales efforts are going into securing long-term contracts for Mozzarella.

Every 20ML of additional milk intake can add approximately $2.5million to gross margins earned by the business. Doubling our existing capacity utilisation over the next few years could add a further $12million-$15million in gross margins.

I am pleased to be able to report that in recent months, we have been able to produce, and sell, a number of Mozzarella variants. Some of these variant products have been around different levels of moisture and dairy fat to suit the different requirements of customers. Our ability to provide customers with mozzarella that is functionally tailored to meet their needs is providing us a competitive advantage compared to some of the larger, generic producers. This is especially evident in some of the Asian markets.

>> Slide 12: Cheese Production and Sales

The slide shows the growth in cheese production and sales being achieved.

- YTD October, total cheese production has been 3,575T an 82% increase over the 1,958T for the same period last year.
- Production has been steadily growing and averaged 894T/month for the first four months compared to the average of 602T/month for 4Q19. This is a 49% increase and reflects both higher milk supply and increased production efficiencies, especially mozzarella yield gains.
- The factory operations team have been working very hard to improve yields over the last 6-9 months. Where it used to take 10.2 litres of milk to make 1Kg of mozzarella, we have reduced this to be less than 9.3 litres average for the first 4 months of the year. Whilst there are some seasonal impacts of milk composition on yield, the substantial improvement in yield is sustainable which enables us to produce a cost competitive product.

In FY19 the factories produced 5,791T of cheese and 2,625T of whey powder. For FY20 we are forecasting to approximately double this output to produce approximately 11,200T of cheese and 5,500T of whey powder. Of course, this is partly dependent on actual milk supply for the remainder of the year, which I will comment on shortly.

There are also a number of opportunities to further develop our product range to meet the clear demand for an alternative supplier of higher of quality / lower of cost mozzarella variants. We are increasingly being recognised as providing a consistent, high quality product. However, high quality means meeting customer requirements. Where some customers may be looking for a less costly option than our premium Mozzarella we need to be able to meet that need. We have expanded our product range to ensure we have an appropriate range of products which will drive further sales increases in the near term

It is important, at this point, that I pay tribute to our team of cheese makers at Jervois and Murray Bridge led by Paul Connolly. They have delivered the significant improvements in factory performance I have outlined.

Apart from widening our product mix, and hence our offerings to customers, these initiatives are enabling us to make our milk go further . . . that is, to make more with less.

4. <u>Milk Supply</u>

Milk supply is extremely important for the earnings of BFC. As noted earlier, every additional 20ML litre of milk contributes around $2.5 million to gross earnings.

Of course it works the other way too . . . and reduces earnings when we don't achieve our milk supply targets . . . as occurred of course in FY19 with the effects of the drought.

When BFC started the Mozzarella project, the Company took a very prudent approach in relation to milk supply and went out and sought up to 90 million litres of milk under contract with independent farmers and Beston's farms to support the investment in and subsequent sales growth from the mozzarella factory. This was much more than was needed and provided a good buffer for that growth.

As we have ramped up production, we have been using up this buffer . . . using more of the milk for our own production, and trading out much less as raw milk.

Our two cheese plants have a combined capacity to take around 300 million litres annually. It is our goal to get as close to this target as we can with our milk supply over the next few years.

I have been meeting with farmers regularly since my appointment as CEO to explain our forward directions and overall strategies so as to both retain and secure additional milk volumes.

We are also doing a number of things to assist with the welfare of our dairy farming community, such by selling our Farmers Tribute Cheese in partnership with OTR convenience stores across South Australian metro and regional centres and contributing part of the net proceeds to help alleviate the hardships being experienced by our dairy farmers and their families through the recent times of drought.

>> Slide 13: Milk Supply

As you would all be aware, the dairy industry in Australia has experienced one of the most difficult periods in its history over the past 12 months due to the wide-spread drought.

BFC contracted for the supply of 117 million litres of milk for the FY19 year (against a target of 130ml) but the reduced on-farm production by our contract dairy farmers meant that the actual milk received only totalled 103 million litres.

Pleasingly, the milk supplied by BFC's own farms actually increased during the period, notwithstanding the flow-on effects of the drought. Beston's farm milk production totalled 17.1 million litres, up by 15% on FY18.

After starting from a position of zero milk supply in 2015 (except for that from our own farms), BFC now takes in 21% of all milk produced in South Australia on an annual basis. Our medium-term target is to get to around 250 million litres, which would account for about 50% of the milk currently produced each year in South Australia.

As we pursue this target, we will continue to position ourselves as a business of choice for dairy farmers based on trust, reliability and transparency. In FY19, we engaged a dedicated Milk Supply Manager who is known by farmers for his commitment to providing a high level of service. Our dairy business lifeline is a sustainable consistent milk supply and we remain committed to delivering outcomes that will have long term benefits for our farmers.

The 2019-20 milk season has started out with a material increase in milk prices. It is pleasing, of course, that we are now starting to see the true value of milk as a food product recognized by the market even though this will translate into higher input costs for BFC, and for all dairy processors in Australia. The stronger milk prices will be good for farmers and their families, and for rural communities.

The increased cost of milk impacts all dairy producers and has translated into higher sales prices, although competition in the market remains keen. However, YTD the average margins we are earning on our products is tracking in line with expectations.

The challenge for BFC will be to manage these cost increases by getting even better at what we do in the factories, and by continuing with the strict disciplines we have put in place around cost controls. Part of this has been achieved already by the significant improvement in production yields at the factories, as I have reported, and part will be achieved by the continuing development of our product range which together enables our milk supply to be extend further into greater production volumes.8

5. Dairy Nutraceuticals

The dairy nutraceuticals side of our business has become increasingly important for us during FY19 and will be even more so as we go forward.

BFC successfully commissioned the dairy protein extraction plant in late 2018. Since then, we have added a freeze drying and milling facility to enable lactoferrin to be delivered to customers in final product, powder form.

The Dairy Protein Market is one of the most valuable markets in the dairy industry with naturally based dairy proteins used in a range of applications including infant formula, adult formula, dietary supplements, and pharmaceutical products.

Lactoferrin has a high demand in the global nutraceuticals market. It also commands high prices with high margins. Pleasingly, the lactoferrin produced at our Jervois factory is also very high grade, making it highly sought after by customers in Australia and China.

With the increasing demand in China for these products, and coupled with limited global supply, the value of lactoferrin and other dairy proteins has progressively increased over the last few years.

Despite successfully commissioning the lactoferrin plant in late 2018, production performance began to decline towards the end of FY19. In June/July this year it became apparent that the specialised resin used for lactoferrin extraction purchased with the plant had deteriorated much more quickly than expected. Production was curtailed then ceased for a period whilst the matter was investigated. Production has recommenced at lower levels than planned whilst replacement resin has been ordered from the overseas manufacturer. It will be installed in December after which our lactoferrin production capability from the existing plant will be restored.

We are, however, currently scoping a project to increase lactoferrin production even further by extracting it from skim milk rather than from whey liquid. We are also looking at various options for further expansion of the Company’s dairy protein fractionation plant to increase both its capacity and its capabilities for producing other high value nutraceuticals.

As was indicated in the earlier slide on mozzarella v cheddar, the contribution from lactoferrin to gross margins is significant. Increasing the yield of lactoferrin, and perhaps other high value nutraceuticals, can add significantly to the overall profitability of the dairy factories. It is “money for jam” as us poms would say because these products are extracted as a by-product from the production of Mozzarella. Prior to the commissioning of the dairy protein fractionation plant, these milk components were not recovered.

I expect that we will have more to say about this important side of our business once we complete our scoping work on the expansion project.

Provincial Foods

>> Slide 14: Provincial Foods

We have reported extensively on our meat business, Provincial Foods, in the Annual Report, and how we have repositioned that business over the last 12 months. Briefly, this has included the extension of our core range of meat products and the development of a range of products for food service customers.

Revenue from this business is relatively small compared to the dairy business and is expected to be \$15m-\$20m per annum in the short term. What I will focus on in relation to Provincial however, is the capability which we have now built in the manufacture of plant-based protein food products. Through the expertise developed in-house, and the purchase of specialised, dedicated equipment we have the opportunity to grow Provincial into one of the largest contract manufacturers of plant-based protein foods in Australia.

We see this as an exciting and important growth area for BFC in the future, given the rapidly growing interest around the world in meat-alternative food products. The global finance house, UBS has forecast that the consumption of plant-based meat substitutes will increase by 35% per annum over the next four years and reach a total sales of USD50 Billion by 2025.

Volume, Value, Velocity

I would now like to spend a few minutes explaining our 3V strategic program.

As the Chairman has pointed out, when BFC commenced its Phase 1 build out, the focus was very much around the three “C’s”: Capacity, Capability and Clout.

As we have progressed, the focus is now, quite fittingly, around the other end of the alphabet . . . the three V’s: Volume, Value and Velocity.

What does this mean?

>> Slide 15: V3 Review

The V3 approach is a way of looking at opportunities to improve our business through 3 aspects to drive better decisions.

Volume is all about growing our sales volume and aggressively prosecuting the utilisation of our plant capacities to achieve economies of scale and reduced unit cost.

Value is about driving waste from the business and capture more value within the business.

Velocity is about achieving faster stock turnover and debtor collections and thereby faster cash collection.

In summary, the V3 strategy is about looking at every aspect of our business through this lens.

The strategy builds on the work already done in FY19 in these areas and injects a laser focus on driving the underlying performance of the business. It can be applied to our business model as follows.

>> Slide 16: V3: Organisational Capability

>> Slide 17: V3 Sustainable raw Materials

>> Slide 18: V3 Product Mix

>> Slide 19: V3 Value Add Capacity and Capability

>> Slide 20: V3 Long term Markets

A key part of the 3V strategy, as I have already alluded to, is a specific focus on increasing the utilisation of our Mozzarella plant due to its scale opportunities and the associated production of high value by-products.

I will now hand over to our Chief Financial Officer, Darren Flew, who will provide a very brief explanation of our FY19 financial results.

Darren Flew:

Thank you, John and good morning everyone.

Roger and John have spoken about the transitioning of the Company's business to focus on the core dairy and meat businesses as the sources of growth and profits going forward.

I am going to provide a brief recap of the FY19 result. As we are all aware, the headline result for FY19 was a loss of $26.98m despite the significant growth in revenue, driven largely from the dairy assets.

>> Slide 21: Dairy factories revenue

At the core of the business, the sales revenue of our dairy products increased from $42 million to $75 million in FY19, an increase of 79%. The increased revenue was enabled by the increased milk supply coupled with the commencement of mozzarella production.

Milk supply in FY19 of 103ML was up 10% on FY18 and is currently expected to be between 110ML - 120ML in FY20 given the current drought conditions. The company is continuing to seek to acquire more milk through both new farm suppliers and purchasing where appropriate.

As can be seen from the chart, Mozzarella contributed $23m to sales in the plant's first full year of operation, $9m in 1H19 increasing to $14m in 2H19. Mozzarella sales continue to grow each month and were nearly $4.0m in the month of October.

The chart also shows the significant level of raw milk sales in FY19, especially in 1H19. As outlined in the Annual report, this occurred because of the delay in the commissioning of the mozzarella plant in FY18 which meant that the Mozzarella customer base had not been established ahead of the spring milk flush period. Given the time of the year, the milk was largely sold out at cost. The lost opportunity margin at the time was around $2.0million. Milk trading in 2H19 steadily declined as sales continued to grow.

For FY20, milk trading will return to more normal levels.

The dairy revenue of $75million accounted for nearly 90% of the total Group sales revenue of $85 million.

>> Slide 22: Financial Outcomes

The financial outcomes for the Group are summarised in this slide. The reported result was impacted by $10.4 million of impairment charges.

The loss before impairment charges was $16.4 million. There were a number of factors impacting the overall result which will not recur in FY20 and these are perhaps best explained by the chart in the next slide.

>> Slide 23: Financial Result Unpacked

Of the total $27m loss, $22.1 million of the loss can be attributed to one-off or transitional factors.

As noted earlier, $10.4 million of that amount related largely to impairment charges as explained in the Annual Report.

Transitional factors as shown on the slide also contributed $11.7 million to the result and these were also discussed in the Annual Report.

Certainly, FY19 is a good year to put behind us.

The drivers of increased profitability in FY20 are that we have already:

- Secured an increase in milk supply
- Established a deeper sales pipeline supported by contracted and repeat business customers
- Increased production yields and sales margins
- Implemented significant cost savings that will contribute for a full year in the FY20 results,

And,

- As explained by John and Roger, we are putting a number of new initiatives in place which will drive further revenue and profit growth, improve the efficiency in the use of our capacity, as well as continuing to drive down costs.

I will now hand back to Roger.

Thankyou Jonathan and Darren.

I will shortly move to the General Business Section of today's meeting. But I would like to take a few minutes to discuss a matter which has been the subject of some misinformation spurious speculation and erroneous reporting – and that is the BPAM Management Agreement. Those responsible for making such commentary have never checked the accuracy of their statements with the Company. The suggestions made in the commentary are false and not based on fact.

>> **Slide 24**

BPAM MANAGEMENT AGREEMENT

At the Annual General Meeting last year, I explained that the Company's financial results were not impacted, adversely, in any way by the Investment Management arrangements which are in place with the Company and its Investment Manager, Beston Pacific Asset Management Pty Ltd. Indeed, as I further explained, the converse is the case. The fees paid to BPAM to compensate for the remuneration and related costs of the senior management team at BFC has been less than the actual costs incurred by BPAM in every year since the time of the IPO.

This was never intended to be the situation, apart from the early periods when BFC was getting established, but has turned out to be the reality.

The reasons for the Investment Management Agreement with BPAM were set out in the IPO Prospectus and have been summarised in this year's 2019 Annual Report.

The management fee payable to BPAM each year is based on a fixed fee (1.2%) of the gross Portfolio Value of BFC (exclusive of GST). From this fee, BPAM pays the remuneration and related costs of the BFC senior management team, including the CEO and CFO.

In 2018-19, the management fee was approximately $2.4 million, the same as in the previous financial year, and was based on a Portfolio Value of $199 million.

>> **Slide 25**

In determining the appropriate amount of the management fee each year, the independent Directors on the Board of BFC and BPAM, engage suitably Qualified Independent Valuers to advise on the appropriate Portfolio Value on which the fee is to be based.

Both the BFC Board and BPAM have considered these independent valuation reports each year, which provide a range of values, before determining the applicable management fee for the period.

As noted in the 2019 Annual Report, BPAM has continued to absorb various increases in salaries, bonuses, CPI increases and other costs over the period since the IPO without any compensating adjustments in the management fee paid to BPAM. As a result, the actual costs incurred by BPAM in fulfilling the terms of the Investment Management Agreement have been higher than the fee paid. BPAM has also undertaken other services consistent with the Investment Management Agreement for which it has not been compensated by BFC.

Given that the Investment Management Agreement has contained the operating costs of BFC, it has achieved the objective of serving the interest of shareholders over this time, as well as achieving the other objectives referred to on pages 34-35 of the 2019 Annual Report.

From July 1, 2019, BPAM has voluntarily taken a reduction in the management fee for a period of twelve months to assist BFC in recovering from the significant deleterious effects of the drought. This decision has in turn increased the amount of costs to be picked up by BPAM in the 2019-20 year from remunerating the senior management team at BFC and fulfilling its other responsibilities under the Investment Management Agreement.

The IMA sets out the terms under which the IMA with BPAM may be terminated. BPAM has made it known to the non-executive Independent Directors of BFC, and to shareholders, as it did at last year’s AGM, that it will agree to terminate the IMA arrangements at an appropriate time upon agreeing to commercial terms with BFC.

BFC 2019 AGM GENERAL BUSINESS

I will now deal with the formalities which bring us together today.

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

The Company Secretary has advised me that a quorum is present and that 152 proxies representing 207,013,202 Shares or 46.7% of the shares on issue have been received.

I wish to ask that you state your name for the record when you address the meeting or move or second a resolution.

You have all received the Notice of Meeting detailing the business to be dealt with today. If there are no objections and, in an effort to expedite proceedings, I ask that the Notice of Meeting be taken as read. Thank you.

As each item of business is considered, I will invite comments from the floor. After any discussion, consistent with current best practice I will ask for a poll on the resolution. So as not to hold up the rest of the meeting, we will conduct the poll at the conclusion of all other business of the meeting.

If you wish to raise a question, please raise the coloured card that you were issued with when you registered today. In the interest of giving all shareholders an opportunity to ask questions if you wish, I ask that any questions be kept to no more than 2 or 3 parts.

Financial Statements and Reports

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 2019.

The Annual Report containing these reports was distributed to shareholders and announced to the ASX on 25 October, 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, Mr Brad Pollock, who is present today.

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

As mentioned, and consistent with current market practice, we will conduct a poll on all three Resolutions. I will ask you to complete your vote in respect of each resolution as we deal with that resolution and then collect the poll papers from you at the end.

I appoint the representative of Link Market Services be Returning Officer and to conduct the poll. The representative has power to co-opt as his agents, members of his staff and staff of the company.

If there is any person present who believes they are entitled to vote but has not registered to vote, would you please raise your hand for assistance.

The persons entitled to vote on this poll are all shareholders, representatives and attorneys of shareholders, and proxyholders who hold admission cards.

On the reverse of your admission card is your voting paper and instructions.

I will now go through the procedures for filling in the voting papers.

In respect of any open votes a proxyholder may be entitled to cast, you need to mark a box beside the resolution to indicate how you wish to cast your open votes.

Proxyholders and Shareholders need to mark a box beside the resolution to indicate how you wish to cast your votes.

Please ensure you print your name where indicated and sign the voting paper. When you have finished filling in your voting paper, please lodge it in a ballot box, which will be circulated, to ensure your votes are counted.

If you require any assistance, please raise your hand (pause whilst voting papers are completed).

Would you please indicate by raising your hand if you require more time to complete your voting paper as we go through the Resolutions.

>> **Slide 26**

Resolutions

Resolution 1 – Adoption of the Remuneration Report for the year ended 30 June 2019

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That, for the purpose of Section 250R(2) of the Corporations Act, the Company adopt the Remuneration Report for the period ended 30 June 2019 as set out in the Directors' Report in the 2019 Annual Report."

I now formally move the motion that Resolution 1 be put to the meeting in the form set out in the Notice of Meeting.

Is there any discussion on this resolution?

I would now ask you to mark your ballot paper with your vote on this Resolution.

>> Slide 27

Resolution 2 — Re-election of Mr Stephen Gerlach as a Director

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Stephen Gerlach, having retired by rotation in accordance with clause 59 of the Company's Constitution and being eligible and having offered herself for re-election, is re-elected as a Director of the Company."

I now formally move the motion that Resolution 2 be put to the meeting in the form set out in the Notice of Meeting.

Is there any discussion on this resolution?

I would now ask you to mark your ballot paper with your vote on this resolution.

>> Slide 28

Resolution 3 — Re-election of Mr Ian McPhee as a Director

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Ian McPhee, having retired by rotation in accordance with clause 59 of the Company's Constitution and being eligible

and having offered himself for re-election, is re-elected as a Director of the Company."

I now formally move the motion that Resolution 3 be put to the meeting in the form set out in the Notice of Meeting.

Is there any discussion on this resolution?

I now formally put the resolution to the meeting.

I would now ask you to mark your ballot paper with your vote on this Resolution.

Please place your completed ballot paper in the boxes with the share registry staff who are presently walking around the room.

Have all votes been cast? [PAUSE] I now declare the poll closed and formally charge the Returning Officer to 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.

Ladies and Gentlemen, that concludes the business section of this Annual General Meeting.

Before closing the meeting, I would like to take a few minutes to briefly discuss one other matter: Capital Management.

CAPITAL MANAGEMENT

The Company announced on 11 January 2019 that it was giving consideration to capital management initiatives to assist the Company in improving its profitability in the near term. The Board of BFC believes that there are compelling opportunities to allocate capital to projects which can accelerate the profitability of the Company.

As part of the process of implementing the restructuring changes outlined above, the Company identified a number of areas in the factories and farms where investment in new technology and plant and equipment could result in cost savings and increases in profits from the existing revenue base.

>> **Slide 29**

The investment areas relate to in-house packaging, expansion of our dairy protein operations, storage and logistics, production line upgrades, ESG cost saving measures and dairy cow herd expansion.

The areas identified are all “low hanging fruit” in terms of providing relatively short pay-back periods (i.e. less than four years) and have now been developed into detailed costed “priority projects”.

As explained in our 2019 Annual Report, we have pushed ahead with implementing a number of these projects from internally generated cash flow and through the selective use of plant and equipment finance.

These projects have primarily been:

- The addition of 1,500 new dairy cows at the BFC owned dairy farms at Mount Gambier (for both replacements and additions).

- The expansion of the Company's dairy nutraceutical capabilities with the installation of freeze drying and milling equipment at the Jervois factory.

- The installation of new plant and equipment at the PFG Shepparton Factory to increase both the capacity and efficiency of production and introduce the capability for production of plant-based alternative meat products.

The Company has put three capital management initiatives under consideraton by which to accelerate the implementation of a number of the other high value adding projects . . . all of which would enable us to extract greater returns from the existing asset base and reduce operating costs to achieve our profitability and dividend objectives. These initiatives are:

>> Slide 30

- A Share Purchase Plan

- A Sale and Leaseback of the BFC Dairy Farms

- A Rights Issue and Placement

>> Slide 31

<u>Share Purchase Plan</u>

The Board of BFC has resolved to offer the opportunity for shareholders to participate in a Share Purchase Plan.

The SPP will provide Eligible Shareholders with an opportunity to apply for up to $30,000 with of BFC fully paid ordinary shares. Participation is optional and there are no brokerage or transaction costs for participating.

The Company is targeting to raise up to $3.0 million under the SPP to:

- Facilitate early investment in the next phase of expansion of the lactoferrin plant (i.e. in the January to March 2020 period) to increase production in response to increasing demand.

- To provide an opportunity for our shareholders, particularly small shareholders to take advantage of the current BFC market share price, which in the opinion of Directors, does not fairly reflect the underlying value of BFC shares.

Details of the SPP and timing of the Offer, will be announced soon.

Farms Sale and Leaseback

As explained in the Company's 2017-18 Annual Report, the Board of BFC has contemplated the creation of a Dairy Farm Real Estate Investment Trust (REIT) to acquire additional farms and increase own-farm milk supply to our factories.

The objectives around this concept were to:

- Free up capital to provide funds for additional contract milk purchases;

- Redeploy the capital currently tied up in our dairy farms to higher revenue and profit generating assets; and

- Secure access to an additional 35-40 million litres of milk to add to the capacity of our dairy factories.

A number of structures were tested in the marketplace to ascertain investment interest in a Dairy Farm REIT. A number of option agreements were also entered into at the same time for the potential acquisition of a number of suitable, pre-qualified dairy farms.

The Board of BFC examined two specific models of purchase and leaseback (to Beston Pure Farms) on secured sizable portfolios. In each case the models called for BFC to underwrite the volatility of the earnings at levels which were unacceptable. Simultaneously the value of dairy farms in the South East of South Australia has risen and demand from buyers (particularly from overseas) has increased.

For these reasons, the Board resolved to move to a longer term, (reduced risk) model based on directly leasing individual dairy land from partner farmers, with options to purchase at future market value. The Board has taken the view that this approach better aligns progressive accumulation of milk volume to production demand and avoids the malalignment of dairy farm values to dairy farm net incomes.

During August 2019, BFC finalised a commercial lease for the first farm under this model, a 100-hectare property located at Allendale East . . . in close proximity to its three core farms. The lease contains a call option to acquire the farm after five years, on market terms - a flexibility that suits the new Lessor.

The arrangement will provide an additional estimated 2.5 million litres of milk (on an annualised basis) to BFC at limited additional variable operating cost.

>> Slide 32

We are now looking to replicate this model with our own farms by entering into 10 year sale and lease-back agreements on the farms by which BFC will continue to operate the farms, take the milk produced on the farms into our own factories and have rights to buy back the farms at market value in future periods. Discussions have been initiated with a number of large Australian and International Pension Fund, Institutional and Family Office investors which have long-term return objectives closely aligned with the returns being generated on-farm.

The overriding objective in any sale and lease-back arrangements which are put in place, will be to retain long-term control over the dairy farms to guarantee the future supply of milk to BFC factories.

For BFC, the implementation of this initiative will facilitate a re-allocation of capital to projects which can generate much higher returns, and at a much faster rate, than having a large proportion of our capital tied up in farms.

Following completion of the sale and lease-back of our dairy farms, (anticipated by the end of Q3) the gearing level of the Company will reduce from 49%, as at 30 June 2019, to around 15%. The sale and lease-back will unlock over $30 million of low return capital, re-set our balance sheet and provide ample working capital for the day-to-day operations of the Company, including the funding of additional contracted milk to achieve our capacity utilisation targets. Importantly, also, it will enable BFC to achieve a more efficient use of capital, by redeploying some of the capital tied up in our farms (where it earns comparatively low returns) to our factories (where we can, by building milk supply, achieve greater utilisation of our plant and thereby significantly higher returns on capital employed).

>> **Slide 33**

Rights Issue and Placement

As previously outlined, in our announcement on 11 January 2019, BFC has identified two significant project opportunities which would achieve a step-lift in earnings and profitability and provide a relatively short period of pay-back (i.e. within four years or less).

These projects are centred around a significant expansion of our existing lactoferrin plant and the internalisation of our cheese processing requirements (cut, shred, wrap and pack).

The lactoferrin plant at Jervois which we refurbished and commissioned late in 2018 produces lactoferrin of very high grade from the whey by-product of our Mozzarella production.

Demand exceeds our capacity to produce and is expected to remain substantially so well into the future with major customers in both Australia and overseas. An increased investment into our dairy nutraceutical facilities at Jervois can be expected to generate incremental margins from revenues on these products of between 60% and 80%.

The Company's cheese processing requirements (cut, shred, wrap and pack) are currently being met by interstate third party contract providers. The arrangement involves double-handling (both in transport and factory processes) and limits the control held by BFC over the quality and presentation of the end product delivered to consumers. The arrangement also inhibits the ability of BFC to add further value to our premium quality, award winning cheeses after the products leave the cheese vats.

The acquisition of cut and pack facilities by BFC would save the Company around $3 million per annum in payments (in gross terms) to interstate third party contractors and enable full oversight over the quality assurance processes and the quality of the end products shipped to customers.

As part of these projects, consideration is also being given to the installation of solar energy equipment to reduce our power costs, which have risen substantially in recent years (and are expected to increase further as we increase cheese production at our two plants in SA and our meat plant in Victoria).

A substantial amount of work has been undertaken on the evaluation of these projects during the year. This evaluation work is continuing with a view to enabling the Board to come to a decision about proceeding, or otherwise, with either or both of these investment projects.

If a decision is made to proceed, it is the Board's intention to fund the projects by way of a rights issue and placement. The size and terms of the issue/placement will be determined at the time.

CLOSING REMARKS

Ladies and Gentlemen and Shareholders.

On behalf of the Board, I thank you for your attendance today and your continued support of our Company.

In particular, I thank you for your patience as we have moved through the process of building the Company, dealing with all the headwinds and adversities which have been thrown at us, and then in this last twelve months, re-setting the focus of the business via a number of important strategic decisions.

I can assure you that the obligations to our Shareholders have remained top of mind for the Board as we have both scaled up and simplified the business through these strategic decisions over the past twelve months.

At core, BFC is a dairy products manufacturing business. The dairy business represents the bulk of our assets at this point, and the bulk of the contribution to earnings (90% of group sales currently).

Unfortunately, there are not many things that still get made in Australia. Dairy products are some of the things that we <u>do</u> still manufacture in our country and we are proud to be part of the industry.

Clearly, the dairy industry has had to face a mix of complex issues in this last year . . . including drought, increase feed costs, increased global competition, soaring energy prices and ageing farmers leaving the industry.

The number of dairy farms in Australia today (less than 6,000) is only around a third of the numbers in operation in the early eighties. And yet, with the increasing world-wide demand for food, and protein in particular, the need for our dairy farmers, and the products produced by BFC, is rising.

It is pleasing, as Jonathan has pointed out, that while a number of our competitors have experienced significant setbacks in this past financial year, the revenues and sales pipeline of BFC has continued to build.

The forward focus of BFC in FY20 is around the Volume, Value and Velocity strategy which our CEO has been implementing in the business following on the from the comprehensive commercial review which commenced in H1 and continued through H2. Put another way, as Jonathan explained, it is about continuing the sales drive, getting costs out, increasing margins and conserving cash.

We are pleased with the achievements we have made in these areas during FY19 and particularly with the initiatives taken to broaden our revenue base and drive cost reductions as we have progressed from a Phase One “start-up” Company to a Phase Two “consolidation” stage business.

In simple terms, BFC has transformed and consolidated over the past twelve months into a protein business; dairy protein, meat protein, and plant-based protein products.

Coming back to the key questions I posed at the start of my address today, there are 10 key message that we would like you to take away from your attendance at this AGM:

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1. We are gradually and methodically increasing the milk supply to our factories to achieve our 200 million litres plus short-term target.

2. We are putting more of our milk into our own products and particularly higher value products.

3. We are making our milk go further (i.e. “stretching” our milk with new products) and have expanded our product offerings around Mozzarella to provide a range of different qualities and price points (e.g. high fat/low moisture; low fat/high moisture etc.) using the technology we acquired as part of our Italian made Mozzarella Plant.

4. We are expanding our production capacity in dairy nutraceuticals, especially Lactoferrin, where we can earn

high margins on the by-products from our Mozzarella production line.

5. We have developed, and are developing further capacity, in the contract manufacture of plant-based foods (a rapidly growing global food segment).

>> **Slide 35**

6. We are re-deploying capital within the business to achieve greater returns on capital employed (ROCE).

7. We are maturing our sales pipelines and bringing on new customers with well-established markets who are more concerned with quality and consistency of quality than price.

8. We are continuing to develop Beston Technologies to reduce its cost to users and increasing its affordability relative to other emerging competitors and alternative solutions in the market place (as explained in the 2019 Annual Report).

9. We are exploring the best way to achieve our cut, pack and shred requirements with a view to reducing this cost and provide greater quality control over the final product.

10. We have adopted a “be ready” position for strategic vertically integrating expansion opportunities and are formulating capital management options around this position.

At Board level, our core purpose and our passion remains unchanged. That is to ensure that we continue to build the business to achieve our earnings and dividend objectives so as to create wealth for our shareholders. The difficulties we have experienced in the business over the past few years have only made us stronger in our determination to achieve our objectives and meet the expectations of all of our stakeholders.

Having achieved our revenue objectives and taken the Company to a turnover of $100 million in this current financial year, we are now heavily focussed on the bottom-line results. We believe that we are in a strong position, with all the hard work that has been done, to continue to build on the Company's foundations to extract increased earnings from incremental sales revenues in FY20 and beyond. And, that is very much the focus of the management and the Board.

While we will continue to face some short term challenges in the business environment in which we operate, especially around the flow-on effects of the drought, we have made some solid, scaleable investments . . . and some sound strategic decisions . . . to secure profitable growth into the future. As I hope you will have understood from our presentations today, with the completion of the build-out phase of our business plan, we are now moving into our next stage of our growth (consolidation around a core profit focus) with a clear strategy in place and a clear set of drivers to achieve the strategy.

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We are mindful that running a business is not simply about the financial results. We have a wide range of stakeholders . . . key amongst whom of course is our shareholders . . . but we also have other stakeholders to consider such as our farmers and our consumers.

Our contract dairy farmers are very important to us, as are their families, and we will continue to make a lot of effort to improve the livelihood of those dairy farming families who are depending on us to ensure that our Beston Global Food Company is very successful.

I now close the meeting and invite you to join with the Board and management to enjoy some of the great foods produced by our Beston Global Food Company.