

8 November 2022

Dear Shareholder

**RE: PAYMENT ARRANGEMENTS FOR ACCEPTANCE OF ENTITLEMENT OFFER**

We have received several inquiries from shareholders who do not have access to electronic payment arrangements (BPAY), seeking clarification on how to accept the non-renounceable Entitlement Offer which was made by the Company to all eligible shareholders on 1 November 2022 and asking if they can pay by cheque or direct Electronic Funds Transfer.

The Entitlement and Acceptance Form which was dispatched with the Offer Booklet referred to payments only being made by BPAY. To make it easier for some shareholders, shareholders are welcome to contact our Company Secretary, Richard Willson, at [rwilson@bestonglobalfoods.com.au](mailto:rwilson@bestonglobalfoods.com.au) or on 0411 411 485 to discuss payment options other than BPAY.

We appreciate shareholders reaching out to us in relation to payment options other than BPAY and wish to make it easy and simple for any shareholder to take up the Offer, which we consider will be beneficial for all shareholders.

We have endeavoured to be as comprehensive as possible in the Offer Booklet about the purpose and rationale for the Entitlement Offer, which are summarised hereunder:

1. The nearly three years of the COVID-19 era had a significant negative impact on the Company. COVID-19 impacted both on the demand side of the business (by dramatically reducing BFC's food service sales to restaurants and other food outlets) and on the supply side (by preventing access to spare parts for our equipment when factories closed in Europe for an extended period of time). These COVID-19 impacts followed closely on two years of drought in Australia which substantially reduced our milk supply, and hence the amount of liquidity in the business.
2. In order to meet the challenges caused by COVID-19, the Company drew down on its banking facilities and debt funding increased as a result over the last few years. As documented in our 2022 Annual Report, when it came time to roll-over our banking facilities agreements which were due for renewal on 31 August 2022, the Groups Bankers imposed two new conditions into the agreements, requiring BFC to make two principal reductions, totaling \$16.0 million, over the period to 31 December 2022.



3. The largest component of the proceeds of the rights issue (ie \$16 million) will therefore be used to reduce debt and re-set the balance sheet of the Company.
4. In its decision-making around a capital management plan to meet the future requirements of the Company, the Board of Directors of BFC took into account many different considerations and resolved that a non-renounceable Entitlement Offer would be in the best interest of the Company, and its shareholders, having regard to, amongst other things:
  - The rising cost of debt servicing with higher interest rate regimes;
  - The tightening of credit and liquidity across the economy in concert with the slow down in global economic conditions;
  - The opportunities in front of the Company to accelerate its revenues and profits in the near term, and thereby generate benefits to shareholders.
5. While the Offer Price is a significant discount to recent traded prices, the pricing is a reflection of a number of factors leading into the Equity Raising, including but not limited to:
  - Opportunities currently available to the Company to increase the scale of its operations, achieve significant cost savings and accelerate profits (as explained below) via the targeted application of investment capital;
  - Investor marketing efforts (to obtain both new investor and major shareholder support) which coincided with volatile equity market conditions;
  - The major use of proceeds being for repayment of debt and providing further balance sheet flexibility to better equip the Company to be able to deal prudently and effectively with any further economic turbulence emerging in the future from changing market conditions;
  - The size of the Equity Raising with respect to the size of our current market capitalisation;

Ultimately, the Board of BFC made the decision to price the Offer at a level that ensured the Equity Raising was successful and to reward the loyalty of our shareholders as we progress with the valorisation of the business in the third stage of our ten year business plan around a number of key objectives outlined below.

The Offer will be dilutive only to the extent that shareholders do not accept the Offer and take up their rights under the Entitlement.

To further assist shareholders, we have prepared a list of Questions and Answers in relation to the Entitlement Offer and hence also attached this Q&A with this letter. Should you have any additional questions to those in the attachment, we would invite you to forward them to our Company Secretary as above and we will endeavor to answer them as promptly as possible

Yours sincerely,



Roger Sexton AM  
Chairman

## **Beston Global Food Company – Entitlement Offer Q&A**

### **I would like to participate in the Offer**

- All eligible shareholders have been sent Offer documents including personalised entitlement forms on Tuesday, 1 November 2022
- These forms will include clear instructions on how to participate

### **How many New Shares I am guaranteed?**

- The Offer is a 1 for 1 pro-rata entitlement offer, i.e. if you own 1,000 shares as at the Record Date you are guaranteed 1,000 new shares at \$0.025 assuming your application and payment has been accepted by the Offer closing date of 5pm 22 November
- You may apply for additional shares however the number of additional shares allocated to shareholders will be dependent on the level of shortfall from entitlements not accepted by eligible shareholders and subject to scale back

### **Can I transfer my entitlement to friends, family or another of my accounts?**

- No the Offer is non-renounceable
- Your Entitlement cannot be traded on ASX, nor can it be privately transferred
- Eligible Shareholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up

### **How long do I have to decide whether I wish to participate?**

- The Offer closes on Tuesday, 22 November, all acceptances must be received by 5pm on this date

### **How do I pay for my Entitlements?**

- On November 1 2022 offer documents were sent to all eligible shareholders, these forms include instructions on how to pay for your Entitlements
- The individualised forms will include specific BPAY details to each shareholding
- You do not need to complete an Entitlement and Acceptance Form if you pay by BPAY®.
- The Share Registry will not accept payment made by cheques. However, the Company has now advised shareholders that they can make contact with BFC's Company Secretary to discuss payment options other than BPAY.

### **Can I take up only a portion of my entitlement?**

- Yes, you can take up all or part of your entitlement
- If taking up a portion of your entitlement only pay the amount for the proportion of shares you wish to take up i.e. number of shares x \$0.025

### **Applying for additional shares, above my entitlement?**

- Under the top-up Offer, eligible shareholders have the ability to apply for additional New Shares
- Shareholders will need to make a payment for more than their Entitlement the excess amount will be taken to be an application for Additional New Shares

### **I live overseas, can I take up my entitlement?**

- Shareholders with registered addresses in Australia, New Zealand, Singapore and Hong Kong will be entitled to participate in the Offer
- Shareholders with registered addresses in the U.S are not allowed to participate

### **Will I receive a refund for additional shares applied for?**

- Any surplus Application Monies received for more than your final allocation of any Additional New Shares will be refunded
- The Company will issue refunds as soon as practicable after the Closing Date
- No interest will be paid to applicants on any Application Monies received or refunded

### **I did not receive any Offer documents**

- Offer documents including acceptance forms were mailed out on Tuesday, 1 November 2022
- If you have not received any documents please contact Beston's share registry – Link Market Services directly

### **Use of funds**

- \$16m to pay down debt and reset the balance sheet
- \$3m to invest in a third Lactoferrin extraction column, unlocking additional bioactive capability within the existing facilities
- \$7.5m for ROIC (Return on Invested Capital) positive projects to drive profits, that fall into three areas:
  - Vertical integration of processing to capture lost margin
  - Water recycling and energy capture
  - More mozzarella from the same amount of milk (i.e. 'stretching our milk')

### **Why raise money at 2.5 cents?**

- the pricing is a reflection of a number of factors leading into the Equity Raising, including but not limited to:
  1. Opportunities currently available to the Company to increase the scale of its operations, achieve significant cost savings and accelerate profits (as explained below) via the targeted application of investment capital;
  2. Investor marketing efforts (to obtain both new investor and major shareholder support) which coincided with volatile equity market conditions;
  3. The major use of proceeds being for repayment of debt and providing further balance sheet flexibility to better equip the Company to be able to deal prudently and effectively with any further economic turbulence emerging in the future from changing market conditions;

### **Why do it now?**

- BFC is a relatively young company in the dairy industry in Australia, and has had to navigate its way through five tough years of drought and COVID-19
- The past three years of COVID-19 negatively impacted the Company, from both the demand side and supply side, resulting in debt levels (and gearing) being increased in order to meet the challenges presented
- The Board of BFC considers that this Capital Raise is in the best interest of the Company, and its shareholders, having regard to:
  - The rising cost of debt servicing with higher interest rate regimes;
  - The tightening of credit and liquidity across the economy in concert with the slow down in global economic conditions;
  - The opportunities in front of the Company to accelerate its revenues and profits in the near term, and thereby generate benefits to shareholders

### **Why include an institutional placement as part of the Capital Raising?**

- The Capital raise allows BFC to grow and thrive after a reset of the balance sheet
- BFC currently has a limited number of institutional shareholders on its registry.
- Large Institutional investors who will likely be long-term, supportive holders of BFC have had difficulties entering the register due to liquidity and daily trading volume constraints – participation in the Capital Raise gives them an opportunity to enter the register of BFC