

ASX RELEASE

20 July 2020

WORK ON NEW LACTOFERRIN FACILITY COMMENCED

- **New skim milk lactoferrin facility to increase capacity to 12 tonnes per annum**
- **Project will deliver on a key strategic imperative and continue the growth momentum of Beston**
- **Funding secured by oversubscribed \$10.0 million Institutional Placement**
- **Completion of construction expected in Q3 FY21**

Beston Global Food Company Limited (“Beston”, ASX: BFC) is pleased to advise that work on the lactoferrin plant expansion at Jervois has commenced. The expansion will take Beston’s lactoferrin production capacity to 12 tonnes per annum, from 3 tonnes per annum, and is expected to take six to eight months to complete. A core component of the new plant has been acquired overseas in recent weeks and is in the process of being shipped to Australia, which will help to ensure that the project is completed within the planned timeframes.

Funding of the expansion has been secured by the recently completed \$10 million institutional placement.

The new skim milk based lactoferrin plant will be a bolt-on to the existing dairy facility at Jervois, which will result in substantial revenue and margin increases. The expansion of the lactoferrin plant will enable more value to be extracted from each kilogram of milk solids processed and is one of the five key strategic imperatives announced at the 2019 AGM to drive further growth in revenues, profits and free cashflow.

The modular nature of the plant expansion means that the cost of the work is substantially less than the cost of a stand-alone facility and highlights the value of the core dairy nutraceutical “chassis” which was acquired by BFC in 2016.

The increase in the volume of lactoferrin produced (to around 12 tonnes per annum) as a result of this plant expansion will produce significant financial benefits for Beston.

Demand currently exceeds the capacity of Beston to produce and is expected to remain substantially so, well into the future with major customers in both Australia and overseas. The returns from increased production of lactoferrin will effectively underwrite much of the costs of producing mozzarella in future periods and therefore enable Beston to be more competitive with its milk purchase pricing relative to the market.

The increase in the volume of lactoferrin production will also facilitate an increased focus on new value-added products for health and nutrition based on lactoferrin. Beston is well advanced in the production of two lactoferrin drinks (“Immune+” and “LifeX10”) which are expected to be released to market in August 2020. Beston has also trademarked BIOLACTIVE as a potential brand carrier for nutritional products based around lactoferrin. These new product development activities will enable Beston to extract further value from its milk solids and also access new markets and trading partners.

Jonathan Hicks, Chief Executive Officer, said “We are pleased to have achieved this first critical milestone, with work on the new skim milk lactoferrin facility now well underway. We are focused on project execution to ensure our timeframe for the completion of construction in Q3 FY21 will be met. Having this expanded capacity in concert with our transition towards increased production of higher margin products, such as mozzarella, will expedite Beston’s ability to generate free cash.

“The recent sale of our dairy farms has resulted in a healthy Balance Sheet, which augurs well for a positive outlook on increasing returns on capital employed during this next phase of growth of Beston,” he said.

SPP update

As announced to the ASX on 29 June 2020, Beston is offering eligible existing shareholders on Beston’s register as at 5:00pm (Australian Central Standard Time) on 18 June 2020, with registered addresses in Australia and New Zealand, the opportunity to apply for new Beston shares through the SPP. The SPP seeks to raise approximately \$2.0 million at \$0.085 per share, the same issue price as the Placement, and is not underwritten. Participation in the SPP is optional and Beston reserves the right (in its absolute discretion) to scale back any applications under the SPP (pro rata to shareholders’ existing holdings), or increase the scale of the SPP, if demand exceeds \$2.0 million¹.

New shares issued under the SPP will rank equally with existing Beston shares from their date of issue. Shareholders are entitled to apply for shares at \$0.085 per share for a minimum investment of \$2,500, free of brokerage and other related transaction costs. Additional information in relation to the SPP, including terms and conditions, have been provided in a separate SPP booklet. The SPP booklet was sent to eligible shareholders on 29 June 2020.

Key dates²

Record Date SPP	Thursday, 18 June 2020
Closing Date of SPP	Friday, 24 July 2020
SPP Shares issue date	Friday, 31 July 2020
Quotation of SPP Shares on ASX	Monday, 3 August 2020

1. The equity raising structure balances the need for certainty of proceeds received through the Placement (for the purposes described in the Investor Presentation released to the ASX on 19 June 2020) with Beston's desire to provide its retail shareholders with the opportunity to participate through the SPP. The raising of approximately \$2 million through the SPP is considered appropriate to provide the majority of Beston's retail shareholders the opportunity to achieve a pro rata allocation having regard to the total equity raising size, the construct of the share register and historical take-up rates in SPPs.
2. The timetable is indicative only and subject to change. The commencement and quotation of new shares is subject to confirmation from the ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules, Beston reserves the right to amend this timetable at any time, including extending the period for the SPP or accepting late applications, either generally or, in particular cases, without notice. Unless otherwise specified, all times and dates refer to Adelaide time.

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

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Beston Global Food Company is a proud South Australian multi award-winning company taking the best of Australian produce to the world with fresh milk supplied by valued farmers. The company provides direct and indirect employment for nearly 300 people. For more information please visit: www.bestonglobalfoods.com.au