

ASX RELEASE

29 July 2020

FIRB APPROVAL RECEIVED FOR SALE OF DAIRY FARMS

- **\$40.4 million cash proceeds from sale of dairy farms to be received end of August.**
- **Proceeds to significantly reduce debt to around 10% gearing.**
- **Share Purchase Plan completed, raising close to \$1.2 million.**
- **Funds to support construction of new skim milk lactoferrin facility and a quadrupling of annual production capacity to 12 tonnes.**

Beston Global Food Company Limited (“Beston”, ASX: BFC) is pleased to advise that the sale of its dairy farms to Aurora Dairies (“Aurora”) has received Foreign Investment Review Board (“FIRB”) approval, well ahead of the expected completion time. Beston is also pleased to advise that its Share Purchase Plan (“SPP”), offered to retail investors, closed on 24 July 2020 raising approximately \$1.2 million.

Sale of dairy farms

The sale of Beston’s dairy farms in Mount Gambier (refer to ASX release of 11 June 2020) is a significant transaction for Beston, as it will facilitate the redeployment of capital to further streamline the Company’s business operations and allow greater production of higher margin mozzarella and lactoferrin. Beston will receive \$40.4 million for its farms at Mount Gambier and secure 17 million litres per annum of milk supply from these farms for a 10-year period at prevailing market prices plus an additional 24 million litres of milk from Aurora’s other farms in the region.

Sale proceeds will reduce gearing levels to around 10%, significantly strengthening Beston’s Balance Sheet during this period of growth and better equipping the Company to deal with any challenges or opportunities arising from the COVID-19 pandemic.

FIRB approval was required because Aurora is funded by the Canadian Pension Fund. The approval means that the contract for the purchase of the farms is now unconditional. Settlement is scheduled for 31 August 2020.

Dr Roger Sexton AM, Chairman of Beston said “The sale of our dairy farms is of strategic importance to Beston in facilitating the growth imperatives outlined at the 2019 AGM and the transition to a higher margin, cash generating company. The additional milk we have secured at market prices supports our drive toward increasing production of higher margin products, particularly mozzarella and lactoferrin. We are also pleased that FIRB approval was received well ahead of schedule, thereby enabling us to reduce debt earlier than planned.”

Share Purchase Plan

The Share Purchase Plan (“SPP”) offered to retail investors closed on 24 July 2020, raising \$1,162,125.00. As a result of the offer, 13,671,990 shares will be issued to participating retail investors and will rank pari passu with existing shares of Beston from the date of issue.

The SPP followed on from the Company’s institutional placement completed on 26 June 2020, which raised \$10.0 million. The funds raised from the institutional placement and follow-on SPP will be used to expand lactoferrin production capacity at Beston’s Jervois facility and provide working capital.

Work on the new lactoferrin facility has commenced (refer to ASX release of 20 July 2020), with skim milk based technology being adopted. The technology enables the extraction of lactoferrin at the start of the cheese making process, rather than at the end of the process, as currently. The expanded facility will enable a quadrupling of lactoferrin production capacity to 12 tonnes per annum. The new facility is expected to take six to eight months to construct, with completion expected in Q3 FY21.

Under the Class Waiver Decision – Temporary Extra Placement Capacity – granted by ASX on 31 March 2020 (as revised and amended), Beston was required, and pleased, to offer retail investors the opportunity to participate in the equity raising either through an SPP or a rights issue. The SPP was chosen for reasons of cost effectiveness and efficiency.

Under the SPP, the new ordinary shares will be issued at a price of \$0.085 per share. This was the same price offered under the Placement, with 117.8 million new ordinary shares issued to existing and new institutional investors under this offer.

Dr Sexton noted that: “Beston is pleased that many of the Company’s retail investors took the opportunity to participate in the SPP, notwithstanding the current economic climate and uncertain circumstances created by the COVID-19 pandemic. Funds raised from both the SPP and Placement will cover most of the expected \$12.2 million construction cost of our lactoferrin plant expansion at Jervois, the work for which has already commenced.”

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

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ABOUT BESTON GLOBAL FOOD COMPANY LIMITED

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