BESTON GLOBAL FOOD COMPANY

Beston Global Food Company Limited

Level 9, 420 King William Street
Adelaide SA 5000

Tel: +61 8 8470 6500
Fax: +61 8 8212 8992

ABN 28 603 023 383
bestonglobalfoods.com.au

ASX RELEASE

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Dear Valued Shareholder

I write to you today in the knowledge we have entered FY22 in a sound position.

- We have the committed milk supply to meet our production targets
- We have a reliability team with a proactive plan to continue to further improve our Jervois operations
- We have the Lactoferrin plant up and running well
- We have the people we need (numbers and skills) to deliver on our plans.

Looking back over the past twelve months, there is no doubt that FY21 proved to be a much more challenging year than we could have imagined. We embarked on a program to improve the efficiency of our capital usage by divesting the dairy farms and facilitating the commencement of Stage 1 of our Lactoferrin plant expansion. The support of the South Australian Government in the form of a $2.0 million Regional Development Grant enabled us to take the decision to bring forward Stage 2 of our plans and accelerate the expansion of the Lactoferrin plant along with a capital raising to supplement the funds raised from the farms sale.

We have completed these tasks and have a well functioning Lactoferrin plant which has the capacity to produce up to 25MT of Lactoferrin per annum.

We have also grown our milk supply to 155ML for FY22 and secured a new blue chip food manufacturing customer (McCains Australia), thereby enabling our mozzarella plant to have approximately 50% of its production capacity committed to repeat, fixed term, supply contracts.

The first sale of Lactoferrin from the newly expanded plant left Jervois at the end of June, bound for a new export customer. Negotiations are underway with a number of other potential customers for long term off-take arrangements for our Lactoferrin production.

Notwithstanding the progress made on these various fronts, the Company encountered a number of significant unanticipated challenges arising both from COVID-19 and from plant performance issues (as reported at the half-year).

The COVID pandemic dramatically reduced food service sales as a result of the closure of restaurants, with repeated lockdowns in most states of Australia. The pandemic also impacted on export sales. The global shipping industry has been in crisis over the last twelve months with on-schedule refrigerated container availability out of Australia down to about 5% of pre-COVID volumes. The result is that we have been unable to deliver at certain times on several large export orders for cheese from customers in countries such as Thailand, Vietnam, Philippines and Canada, an outcome which has been extremely frustrating, given the many years of effort which has been invested in building our offshore customer base.

We felt the more personal impacts of the COVID-19 pandemic when two locations at Tailem Bend in South Australia were declared exposure sites. Our Jervois factory is immediately across the River Murray from Tailem Bend and many of our staff live in and around the area. Six of our staff were required to isolate and quarantine and the Jervois and Murray Bridge plants went into "full COVID-19 mode". Fortunately, all tested negative and eventually returned to work.

The uncertainty being created by the current COVID-19 outbreaks on Australia's eastern seaboard is of continuing concern to everyone, of course. That said, history shows that pandemics such as COVID-19 sooner or later do get contained and controlled, enabling life to return to the "normality" that we knew before the onset of the pandemic. The focus of the management team, in managing the various challenges thrown up by COVID-19, has been, and will continue to be, on calmly and confidently building the business of BFC with an eye to the future so that we are in a good position to capitalise on the opportunities which will emerge from the return to "normal", post the pandemic.

As we have previously reported, our mozzarella plant experienced some breakdowns, including in some critical sections of pipework which had been coated with an "inferior" grade of Teflon that was not in accordance with the plant manufacturers' original Teflon specifications. Once the cause of the problems was identified we ordered replacement parts from Italy and undertook temporary Teflon recoating. What would normally have been a maximum 2-month lead time to receive these parts turned into a 5-month process due to the impacts of COVID-19 on the Italian manufacturer's operations and restricted delivery options. The replacement parts were received in two batches in late May and again in late June. The replacement parts have been installed and the mozzarella plant is now running as it should. This has been an expensive experience with the brunt of the day-to-day pressure of dealing with the issues borne by the Jervois operations team. The time delay between ordering the replacement parts and receiving them, with constant delays to the delivery schedule, was very testing on the operations team who are to be commended for their outstanding efforts during this period.

The table below summarises the key outcomes for FY21 against the guidance we have previously released and our operating guidance for FY22.

	FY21	June 21 QTR	FY20	FY21 v FY20	FY22 Guidance	FY22 v FY21 (midpoint FY22)
Milk Supply - ML	146.0 (was 142-148)	37.2	110.8	+32%	**152-158**	+6%
Mozzarella Production - T	12,150 (was 12,000-13,000)	3,079	9,128	+33%	**15,000-16,000**	+28%
Lactoferrin Production - T	4.0* (was 3.0-4.0)	3.4*	1.4	+286%	**18.5-21.5**	+500%
Group Revenue - $m	113 (was 119-125)	26	103	+10%	**160-185**	+54%
Gearing - %	41 (was 24-30)	na	49	-8%pts	**25-30**	-14pts
Capital Expenditure[1] - $m	16 (was 16-20)	6	6	+11m	**13-18**	-

* includes Lactoferrin in concentrate extraction yet to be dried: 2.2T powder equivalent
Note: FY21 Revenue, gearing and capital expenditure numbers are unaudited and may be revised when final FY21 annual results are reported.

The FY22 guidance above provides the basis for our confidence in FY22 being a profitable year for your company. The two key drivers of profitability to be noted from the above are:

- Mozzarella production is set to increase by 28% whilst milk supply increases by 6%. This reflects the turnaround in plant performance with the Teflon and other operational issues in the mozzarella plant having now been rectified, all of which translates into improvements in yield (ie more product from each kg of milk solids processed).
- Lactoferrin production increasing from 4.0MT in FY21 to approximately 20T in FY22 which will generate significant additional revenue and margin per litre of milk processed.

We have also locked away an additional 3,600T pa sales of mozzarella for FY22 with the announcement on 30 July 2021 of a major new contract with McCains Australia. Our mozzarella and other cheeses will be used by McCains in committed volumes for the manufacture of their frozen food products, particularly pizza. This contract has an 18 month term with options to renew beyond that time and reflects some three years of hard work from the combined efforts of Beston's sales and production teams on the back of extensive trials undertaken with this customer. The value of the contract is in excess of $20 million per annum.

FY21 outcomes are largely in line with the guidance previously provided. Milk supply, mozzarella production and Lactoferrin production were within guidance.

All milk received at Jervois is being processed through the Lactoferrin extraction columns. There has been some delay in converting product into powder due to the late delivery of the second freeze drier, which was also held up due to COVID-19 related issues.

Sales revenue was up by 10% on the previous year but ended below guidance mainly due to the impacts of COVID-19 on food service markets as explained above (including export shipping issues) and the timing of recognition of sales to export customers en-route at 30 June 2021, as well as the timing of Lactoferrin sales and lower PFG sales.

Gearing is higher than previously forecast on the timing of sales and associated receipts plus the accrual of the cost of the termination of the Investment Management Agreement at 30 June 21 rather recognizing the expense at the termination date on 28 August 2021.

Capital expenditure was in line with guidance with only 5% remaining to be paid on the engineering contract relating to the new Lactoferrin extraction columns.

On 23 July 2021 we issued an investor roadshow presentation to update the market which was lodged with the ASX. A key question in discussion with investors has been about our progress on Lactoferrin sales. Lactoferrin is a technical product ingredient and requires customers to undertake testing to understand how our product will perform in their own applications. We have been pleased with our engagements to date with potential long-term customers who have tested and confirmed the quality of our Lactoferrin. Several of these potential customers are still completing their detailed tests. We continue to engage our customers for short to medium term supply while also working on their longer term off take arrangements over the coming months.

The recent resignation of CEO, Jonathan Hicks, for family reasons was a sad day for those of us who know John well. The Board, in its announcement on 30 July 2021, acknowledged John's contribution to Beston since he joined the Company in January 2019. I know all of the team here at Beston would join me in wishing John the very best in his life journey from this point.

Closing Comments

As stated in the opening paragraph of this letter we are well placed heading into FY22 to make this year a profitable one. Your management team has both depth and strength. We are looking forward with great enthusiasm to what we can deliver for shareholders over the next 12 months.

On behalf of the management team, I sincerely thank you for your support to date. We also hope that you and your families stay safe and well as we all continue to fight our way through the disruptions caused by the pandemic in Australia and around the world.

Kind regards

Darren Flew

Interim Chief Executive Officer