

Business Activities Update and Appendix 4C Report

Beston Global Food Company Ltd (ASX: BFC) (**Beston** or the **Company**) provides the following update on its trading performance and operations for the period ending 31 March 2024 and releases its Appendix 4C Quarterly Cash Flow Report.

Milk Supply

- Beston has experienced its highest milk flows on record in FY24
- Milk supply continued to be strong in Q3 FY24 placing pressure on Beston's short term working capital.
- YTD milk intake from dairy farm supplier program was 124.2 mill litres (i.e. 4.8 mill litres higher than forecast)
- The higher than expected milk flows have occurred at a time when farmgate milk prices have been the highest on record for more than 30 years (and currently amongst the highest in the world)
- Farmgate milk prices in Australia have risen by more than 35% over the past two years (and are currently around 25% higher than farmgate milk prices in New Zealand).
- The high milk volumes and high farmgate milk prices have coincided with a fall of 25 to 30% in the prices received for dairy products in global markets and has placed significant strain on the cash resources of the Company.

Market Pressures

- The dairy processing industry in Australia has been extremely challenged by trading conditions and soaring input costs (gas, electricity, chemicals, transport, labour etc.)
- Imported dairy products have flooded into Australia (up by 17% over the past 12 months, equivalent to 2.2 billion litres of milk or nearly 30% of Australia's total annual milk production).
- The confluence of cost/price pressures and increases in import competition have been compounded by the regulatory environment imposed by the operation of the Australian Dairy Code and the competitive and commercial issues around farmgate milk supply, as above.

Lactoferrin

- The addition of the third fractionation column has increased Lactoferrin production capacity to 25 tonnes.
- Lactoferrin production is around 12.7 tonnes, year to date.
- The Lactoferrin plant is the “jewel in the crown” for Beston and will contribute positive EBITDA in FY24.
- The freeze dried “Mediferrin” Lactoferrin manufactured by Beston is used by infant formula producers, pet food manufacturers and pharma companies across China, Europe and Oceania.

Corporate Actions

- Beston has responded to the market-led challenges by continuing to pursue cost-saving initiatives and divesting non-core businesses. Beston is in the advanced stages of divesting non-core businesses. Beston is working through the divestment of its meat business. On completion, the proceeds will be directed towards debt reduction.
- The contracting season for milk starts imminently. Beston is looking to reduce its milk intake in FY25 to right size the Company to respond to the various pressures currently being experienced.
- Sales activities have been accelerated to reduce inventory and release cash.
- Corporate Advisors appointed by the Company are assisting with the identification and evaluation of a range of options to provide the structural flexibility needed to address the challenges of the current market conditions.
- Some of the actions currently underway include negotiations on alternative funding arrangements to refinance the existing debt and provide working capital for the corporate needs of the Company, including growth initiatives and further cost saving opportunities.

Appendix 4C cashflow report

Beston’s Appendix 4C Cash Flow report for the quarter ended 31 March 2024 (Q3 FY24) has been released with this business activity report. Key points include:

- Q2 FY24 operating cash flow was negative \$3.436 mill (unaudited). Continued higher than expected milk intake due to favourable on-farm conditions addressed by actions taken to reduce the level of inventory.
- A number of capital projects were completed during Q3, thereby adding to the cash outflows. The majority of FY24’s capital program is now complete or on hold.
- Capital expenditure investments of \$1.1 million in property plant and equipment were recorded during Q3 FY 24.

- At the close of Q3 FY24, the Company had \$70.17mill of available finance facilities, of which \$69.14mill was drawn. The PFG (meat processing) business is currently in the advanced stages of negotiation for divestment and all proceeds will be used to further pay down debt.
- Cost/Price pressures in the dairy industry and persistent inflationary forces have impacted cash resources and profitability in Q3 FY 24. The Company continues to respond to the cost/price pressures, inflationary impacts and higher-than-expected milk inflows by accelerating sales activities to generate further cash flow and reduce inventories.

Released with the authority of the Board.

For further information on the Company, please visit: bestonglobalfoods.com.au

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ABOUT BESTON FOODS

Beston Global Food Company (ASX: BFC) is the largest South Australian Dairy company and the 7th largest in Australia. We are a proud South Australian multi-award-winning company taking the best of Australian produce to the world with fresh milk supplied by our valued Farmers. Our Company provides direct and indirect employment for nearly 300 people. BFC has been building strong relationships in our domestic markets, as well as overseas. We know that we have excellent products and continue to make significant inroads into key market segments.

DISCLAIMER

Unless expressly stated, none of the information included in this announcement should be considered individually material. All figures in this announcement are provided on an unaudited basis.

This Company announcement may include certain statements, estimates or projections with respect to the anticipated future performance of the Company and any ongoing or prospective projects or both. Those statements, estimates or forecasts are based on assumptions about future events and management actions that may not necessarily take place and are subject to significant uncertainties, many of which are outside the control of the Company. Those assumptions may or may not prove correct. No representation is made regarding the accuracy of those statements, estimates or projections.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Beston Global Food Company Limited

ABN

28 603 023 383

Quarter ended ("current quarter")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	47,675	135,807
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(41,176)	(123,736)
(c) advertising and marketing	(7)	(61)
(d) leased assets	(192)	(472)
(e) staff costs	(5,784)	(18,221)
(f) administration and corporate costs	(1,722)	(6,175)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2,230)	(4,964)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,436)	(17,822)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,109)	(5,118)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	538
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,109)	(4,580)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	7,695	28,205
3.6	Repayment of borrowings	(3,333)	(5,631)
3.7	Transaction costs related to loans and borrowings	-	(290)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	4,362	22,284

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	313	248
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,436)	(17,822)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,109)	(4,580)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,375	22,297
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	143	143

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	143	313
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	143	313

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	76
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Amounts shown under 6.1 represent directors' fees paid during the period.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000																																																							
7.1	Loan facilities	(56,194)	(55,170)																																																							
7.2	Credit standby arrangements	-	-																																																							
7.3	Other (please specify)	(13,975)	(13,975)																																																							
7.4	Total financing facilities	(70,169)	(69,145)																																																							
7.5	Unused financing facilities available at quarter end		1,024																																																							
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.																																																									
BFC Borrowings as at the 31 March are comprised of the following;																																																										
<table border="1"> <thead> <tr> <th>Facility/Lender</th> <th>Amount Drawn \$'000</th> <th>Interest rate</th> <th>Latest maturity date</th> <th>Secured/Unsecured</th> </tr> </thead> <tbody> <tr> <td>Business Overdraft – NAB</td> <td>28,876</td> <td>8.72%</td> <td>Jun-24</td> <td>Secured</td> </tr> <tr> <td>Corporate Markets Loan – NAB</td> <td>18,500</td> <td>BBSY + 5%</td> <td>Jul-24</td> <td>Secured</td> </tr> <tr> <td>Corporate Markets Loan – NAB</td> <td>2,000</td> <td>BBSY + 5%</td> <td>Nov-24</td> <td>Secured</td> </tr> <tr> <td>Corporate Markets Loan – NAB</td> <td>2,091</td> <td>BBSY + 5%</td> <td>Nov-24</td> <td>Secured</td> </tr> <tr> <td>Hire Purchase – NAB</td> <td>3,703</td> <td>Average 4.62%</td> <td>Sep-29</td> <td>Secured</td> </tr> <tr> <td>Shadow Debtor Finance Facility – ScotPac</td> <td>11,427</td> <td>10.87%</td> <td>Oct-26</td> <td>Secured</td> </tr> <tr> <td>Asset Finance Facility - ScotPac</td> <td>956</td> <td>14.07%</td> <td>Oct-26</td> <td>Secured</td> </tr> <tr> <td>Insurance Premium Funding - Clearmatch</td> <td>1,578</td> <td>1.99%</td> <td>Jun-24</td> <td>Unsecured</td> </tr> <tr> <td>Insurance Premium Funding – IQumulate</td> <td>14</td> <td>5.37%</td> <td>Mar-24</td> <td>Unsecured</td> </tr> <tr> <td>Total</td> <td>69,145</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>				Facility/Lender	Amount Drawn \$'000	Interest rate	Latest maturity date	Secured/Unsecured	Business Overdraft – NAB	28,876	8.72%	Jun-24	Secured	Corporate Markets Loan – NAB	18,500	BBSY + 5%	Jul-24	Secured	Corporate Markets Loan – NAB	2,000	BBSY + 5%	Nov-24	Secured	Corporate Markets Loan – NAB	2,091	BBSY + 5%	Nov-24	Secured	Hire Purchase – NAB	3,703	Average 4.62%	Sep-29	Secured	Shadow Debtor Finance Facility – ScotPac	11,427	10.87%	Oct-26	Secured	Asset Finance Facility - ScotPac	956	14.07%	Oct-26	Secured	Insurance Premium Funding - Clearmatch	1,578	1.99%	Jun-24	Unsecured	Insurance Premium Funding – IQumulate	14	5.37%	Mar-24	Unsecured	Total	69,145			
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Financing facilities noted as "Other" in section 7.3 to the value of \$14.0M includes the Shadow Debtor finance facility which has an \$18M cap. This facility can only be drawn to the value of BFC's debtors applied against the concentration limits being 82% in case of Domestic and 72% in case of Export sales. The facility is limited to certain defined countries. This facility was drawn to \$11.4M at end of Q3. In addition, other financing facilities also includes the insurance premium funding of \$1.6M.																																																										
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8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,436)
8.2	Cash and cash equivalents at quarter end (item 4.6)	143
8.3	Unused finance facilities available at quarter end (item 7.5)	1,024
8.4	Total available funding (item 8.2 + item 8.3)	1,167
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.3
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

BFC is currently working on the following activities to improve net operating cashflow for Q4;

- Continuing to pursue cost-saving initiatives and divesting of meat business (PFG)
- Beston is looking to reduce its milk intake further in Q4 and also FY25 to right size the Company to respond to the cash flow pressures currently being experienced.
- Sales activities have been accelerated to reduce inventory and release cash.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

BFC is currently working through the divestment of its meat business (PFG) with all proceeds going towards debt reduction.

Corporate Advisors appointed by the Company are assisting with the identification and evaluation of a range of options to provide the structural flexibility needed to address the challenges of the current market conditions.

Some of the actions currently underway include negotiations on alternative funding arrangements to refinance the existing debt and provide working capital for the corporate needs of the Company, including growth initiatives and further cost saving opportunities.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

On the basis of successful completion of the following;

- Completion of the corporate activities (listed above) including those by which BFC is working with an advisor to improve liquidity.
- Reduction of milk intake for Q4 and continuing to FY25
- Accelerated Sales activities at forecast pricing to reduce inventory and release cash

the company expects to be able to continue its operations and meet its business objectives.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2024

Authorised by: The Board of Directors