



Market Update

- **Sale and Purchase Agreement finalised to complete the divestment of Provincial Food Group (PFG) by end of July, 2024.**
- **Discussions and renegotiations in train on interest received in relation to the Company's Dairy and Dairy Nutrition Businesses.**
- **New record year of milk volumes processed but trading conditions remain challenging.**
- **Milk Solids Sourcing strategy re-set for FY25, protecting fresh milk sourcing base in South Australia whilst capitalizing on spot procurement actions for Dairy Ingredients to complement production.**
- **Shares to remain in suspension until corporate actions on proposals received are confirmed.**

Sale Of Provincial Food Group

Beston Global Food Company Ltd (ASX: BFC) (**Beston** or the **Company**) is pleased to announce that, further to previous announcements (28 November 2023, 31 January 2024, 29 February 2024, 1 March 2024 and 30 April 2024), it has entered into formal Sale Agreements for the business and property assets of its meat processing subsidiary company Provincial Food Group Pty Ltd (**PFG**).

The total consideration for the sale is A\$4.0 million, (less transaction costs), comprising the PFG shares and real estate assets, on a walk-in-walk-out basis, which will provide continuing employment for all staff other than senior management.

The purchasers are a Victorian-based private consortium of 6 parties, made up of trusts and a superannuation fund, led by Milne Bay Pty Ltd, with a background in the meat processing industry. Beston undertook normal and appropriate due diligence on the consortium to ensure they are able to meet their financial obligations under this transaction.

The transaction is structured such that the sale of PFG shares and the settlement of the property are expected to occur within the next week and in any event no later than 31 July, 2024. The net proceeds of the sale will be paid to the NAB to reduce the Company's indebtedness.

With the completion of this divestment, Beston will continue to focus its resources and efforts on its Dairy and Dairy Nutrition businesses, where the Company has built world-class capabilities and capacity.



Corporate Actions and Funding Arrangements

As previously advised, Beston has been working on several corporate actions to respond to the challenges of current market conditions and cost price pressures and provide the structural flexibility needed to address these on-going industry challenges. Some of the actions include negotiations on alternative funding arrangements to provide working capital for the corporate needs of the Company, including for further cost savings opportunities.

As a result of these actions Beston has received a wide range of interest in relation to its core businesses of Dairy and Dairy Nutrition, and is engaged in live discussions on a number of proposals. Much of the interest has recognised the significance of the Company's investment in the dairy protein fractionation facilities at Jervois, around which Beston has built a world class bioactives business. This business supplies Lactoferrin to large international "blue-chip" customers operating in the pharmaceutical, medical and health and nutrition sectors in global markets and generated strong profits results in FY24. The expansion of the dairy fractionation plant in late 2020 has provided Beston with the capacity to produce 25 tonnes of freeze dried Lactoferrin with consistent levels of purity above 95%, thereby ranking the business amongst the top 10 producers of high quality Lactoferrin in the world.

The interest received by Beston is subject to non-disclosure agreements and the company is not as yet in receipt of a binding offer or formal proposal which is in a form capable of acceptance.

The Company's bankers have been kept informed and have extended the current expiry date on the debt facilities by three months while these discussions are underway (i.e., expiry date from 31 July 2024 to 30 September 2024).

The Board and Management of Beston believe that the discussions and negotiations which are currently underway could, if implemented, provide an opportunity to re-set the financial foundations of the Company and help ensure that the hard work which has done in building the business from scratch over the past ten years yields benefits for all stakeholders.

Until such time as these discussions and negotiations are brought to a satisfactory and material conclusion, the Company's cashflow will remain constrained and trading in the Company's shares will remain in suspension. Such a transaction is necessary for Beston's continued financial viability.

Trading Activity

Despite a new record year of milk volumes processed, record sales and key developments with our customers, FY24 was a very difficult year. The year has been marked by an unexpected surge of milk volumes versus initial seasonal projections coming from late FY23, when Australia reached its lowest national milk production numbers in the last 30 years and when the BOM (Bureau of Meteorology) was indicating "catastrophic conditions" for Farmers during the last Spring and Summer.

The effect of the higher milk volumes vs expectations has also been exacerbated by the unprecedented level of Dairy Imports into Australia over the course of 2023 and early 2024 and the consequential competition at retail, bulk ingredients and foodservice channels. Cheese imports into Australia reached

over \$1 billion in 2023 alone making for the first time ever Australia became a net importer of Cheese versus its traditional position as a net exporter.

The effects of an intensified competition in the domestic market have forced the Company to seek new markets for its high-volume Mozzarella and Whey products to protect its liquidity. These sales were made based on International Prices and with a longer cash cycle, all which impacted our margins, working capital and overall profitability.

Key trading metrics for FY24 (unaudited) include:

- Record milk volumes processed after strong seasonal conditions, of circa 165 ML, up 8.5% vs FY23 (excluding milk solids sourced from Dairy Ingredients).
- Approximately \$120 million of milk supply payments were made to our Dairy Farmers.
- Net Sales of \$170 million and flat vs FY23.
- Record Mozzarella volumes sold, reaching over 15,000 tons. Several new Markets developed such as Indonesia and Vietnam and new partnerships formed in China with some of the world's largest Dairy Companies.
- Lactoferrin sales volumes at 17 tons and pricing per Kg up 18% vs FY23. Closing stock position at end of FY24 of circa 3 tons.
- Lactoferrin sales in China now with regular offtake after successful quality accreditation process, servicing China's largest Infant Formula companies in successful partnership with leading distributors.
- Cream Cheese sales up 150% vs FY23 low base. Farmers Tribute & Mables Retail range now launched in Australia (South Australia), China, Korea and Thailand.
- Value-added Dairy as well as Retail and Foodservices sales now represent circa 18% of sales.

Profitability and cash flows have been significantly impacted by intensified competition from the unprecedented levels of imported cheese volumes in Australia over the last 12 months, energy & labor costs, global market pricing volatility and liquidity challenges on the back of additional working capital funding limitations.

Milk Sourcing Strategy Update

Beston remains committed to the South Australian Dairy sector and to its supplier base. The Company has now reduced and right-sized its participation in direct farmer contracts for FY25 and will elevate its procurement activities for Dairy ingredients as well as spot milk to complement its required production plan for FY25.

Beston's Milk Sourcing Strategy for FY25 aims to protect the competitiveness of its products by ensuring a greater correlation between its total Milk Solids costs and International dairy commodity prices. The Company will be doing this by becoming a more seasonal manufacturer of products (over the Spring and Summer months and when milk prices is lower) and by complementing its off-farm milk sourcing with dairy ingredients such as Skim Milk and Micellar Casein, which have been proven to boost yields in our Jervis site during FY24.

-ENDS-

Released with the authority of the Board.

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

CONTACT

Fabrizio Jorge

Chief Executive Officer

+61 8 8470 6500

fjorge@bestonglobalfoods.com.au

Nick Martin

Chief Financial Officer

+61 8 8470 6500

nmartin@bestonglobalfoods.com.au

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