



BESTON GLOBAL FOOD COMPANY LIMITED

NOTICE OF GENERAL MEETING

ACN 603 023 383

This Notice of Meeting contains an accompanying Independent Expert's Report, which has concluded that the termination fee payable to BPAM under the Termination Deed is fair and reasonable to the non-associated Shareholders.

The Explanatory Memorandum and Independent Expert's Report should each be read in its entirety and considered carefully by each Shareholder before making a decision on how to vote on the Resolution.

If Shareholders are in doubt as to how they should vote on the Resolution, they should seek advice from their professional advisers prior to voting.

NOTICE IS HEREBY GIVEN that a General Meeting of Shareholders of Beston Global Food Company Limited will be held at Level 7, 89 Pirie Street, Adelaide, South Australia, on **Friday 28 May 2021** commencing at 10.30 am (Adelaide time)

NOTICE OF GENERAL MEETING

Ordinary Business

Resolution —Termination of the Investment Management Agreement

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That, on the terms set out in the Explanatory Memorandum:

- (a) for the purposes of Clause 20.1 (b) of the Investment Management Agreement (**IMA**) between the Company and Beston Pacific Asset Management Pty Ltd (**BPAM**), the termination of the IMA is approved; and
- (b) for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, the payment of the Termination Payment including the issue of 21,125,000 fully paid ordinary shares and a cash payment of \$1,130,000 to BPAM, is approved."

Voting Exclusion Statement

The Company will disregard any votes cast (in any capacity) on the Resolution by any Key Management Personnel who will obtain a material benefit as a result of the termination of the Investment Management Agreement on the terms and conditions set out in the Explanatory Memorandum. The relevant individuals excluded from voting on the Resolution are the directors of the Company who are also the directors and controllers of BPAM:

- (a) Dr Roger Sexton (and his nominees); and
- (b) Mr Stephen Gerlach (and his nominees),

or any of their associates.

However, this does not apply to a vote cast in favour of a resolution by:

- (c) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with direction given to the proxy or attorney to vote on the resolution in that way; or
- (d) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - a. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting on the resolution; and
 - b. the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

The Company will also disregard any votes cast by any other person who will obtain a material benefit as a result of the termination of the Investment Management Agreement on the terms and conditions as set out in the Explanatory Memorandum.

By Order of the Board

A handwritten signature in blue ink, appearing to read 'R Willson', written in a cursive style.

Richard Willson

Company Secretary

26 April 2021

Voting Entitlements

The Company has determined that for the purposes of ascertaining entitlements to participate in and vote at the General Meeting, all shares in the Company will be taken to be held by those persons who held them as registered holders at 7.00pm (Adelaide time) on Wednesday, 26 May 2021.

Proxies

A Shareholder entitled to attend and vote at the meeting has the right to appoint a proxy, who need not be a Shareholder of the Company. If a Shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. In order to be valid, the Proxy form must be received by the Company electronically or at the address or facsimile number specified below, along with any power of attorney or certified copy of a power of attorney (if the Proxy Form is signed pursuant to a power of attorney), by no later than 48 hours before the Meeting (i.e., by no later than 10.30am (Adelaide time) on Wednesday, 26 May 2021).

By mail: Beston Global Food Company Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

By hand: Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138; or

Link Market Services Limited
680 George Street
Sydney NSW 2000

By facsimile: +61 2 9287 0309

Electronically: Proxies can be lodged online at www.linkmarketservices.com.au. To minimise the risks associated with COVID-19, the Company encourages Shareholders to utilise electronic proxy lodgement by following the instructions below.

1. Go to the share registry website at www.linkmarketservices.com.au.
2. Select 'Investor Login'
3. Click on the 'Single Holding' section (unless you have set up a 'Portfolio', in which case proceed to access online voting through that login process);
4. At 'Issuer Name' enter '**BFC**' or '**Beston Global Food Company Limited**'
5. Enter your HIN or SRN
6. Enter the postcode (or Country Code if outside Australia) relevant to each shareholding
7. Read and agree to the terms and conditions by selecting the tick box
8. Select 'Voting' from the top menu bar; and
9. Select 'Vote' under the heading 'Action' and follow the prompts to lodge your vote.

Any Proxy Forms received after the cut off time of 10.30am (Adelaide Time) on 26 May 2021 will not be valid for the Meeting.

Corporate Representative

A corporation that is a Shareholder or a proxy may elect to appoint a person to act as its corporate representative at the meeting, in which case the corporate Shareholder or proxy (as applicable) must provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that Shareholder's or proxy's (as applicable) corporate representative. The authority must be sent to the Company and/or the Company's Share Registry (detailed above) in advance of the meeting or handed in at the meeting when registering as a corporate representative.

Explanatory Memorandum

The Explanatory Memorandum accompanying this Notice of Meeting is incorporated in and comprises part of this Notice of General Meeting and should be read in conjunction with this Notice.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to assist Shareholders in consideration of the Resolution proposed for the General Meeting of the Company to be held on Friday, 28 May 2021 commencing at 10:30 am (Adelaide time).

It should be read in conjunction with the accompanying Notice of Meeting.

The purpose of this Explanatory Memorandum is to provide information which the Company believes is material to Shareholders in deciding whether or not to pass the Resolution.

The Independent Expert has concluded that the Termination Payment to BPAM under the Termination Deed is **fair and reasonable** to the non-associated Shareholders of the Company.

All of the Independent Directors of the Company (i.e. each of the Company Directors aside from Dr Roger Sexton and Mr Stephen Gerlach) **unanimously recommend that Shareholders vote in favour of the Resolution.**

Shareholders are encouraged to read the Independent's Expert Report in its entirety before making a decision on how to vote on the Resolution.

Forward looking statements

This Explanatory Statement contains certain forward-looking statements. Forward-looking statements include those containing words such as “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan”, “consider”, “foresee”, “aim”, “will” and other similar expressions. Any forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of the Company. To the maximum extent permitted by law, the Directors, the Company and any of its related bodies corporate and affiliates, and their officers, partners, employees, agents, associates and advisers disclaim any obligations or undertaking to release any updates or revisions to the information in this announcement to reflect any change in expectations or assumptions, do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of such information, or likelihood of fulfillment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement, and disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).

Resolution — Termination of the Investment Management Agreement

1. Introduction and Overview

The Company is currently managed through an Investment Management Agreement (“**IMA**”) which was put in place with the Investment Manager, Beston Pacific Asset Management Pty Ltd (“**BPAM**”) at the time of Beston's Initial Public Offering (“**IPO**”) in 2015. BPAM is controlled by two of the Company's Directors, Dr Roger Sexton and Mr. Stephen Gerlach (who are excluded from voting on the Resolution by virtue of their control of BPAM).

A general principle of the IMA was that BPAM would not assume direct long-term management responsibility for the business operations of Beston's investments. Since its IPO, Beston has transformed from an investment vehicle to a consumer foods company whereby its dairy and meat processing businesses represent the core of the business. Beston's businesses have been streamlined and consolidated over the past five years whereby the Company now has 100% ownership and has assumed direct operational control over these assets. As a result, the function and management responsibilities of BPAM and its senior executive team at Beston has expanded well beyond that originally envisaged.

Under the IMA, the fees payable to BPAM as Investment Manager comprise:

- A Management Fee based on a fixed fee (1.2%) of the Portfolio Value of Beston (exclusive of GST) calculated half yearly and paid monthly in cash; and
- A Performance Fee for any outperformance of Beston's Total Shareholder Return over the Total Shareholder Return of the ASX All Ordinaries calculated half yearly and payable annually. The Performance Fee is calculated by multiplying any outperformance (calculated as a percentage) by 17.5% of the of the market capitalization of the Company and is to be paid in ordinary shares or performance rights in the Company at BPAM's election. Note, any Performance Fee is subject to a clawback from any accrued prior periods of negative outperformance.

The Portfolio Value is the fair market value of Beston's Portfolio, which reflects the underlying business of Beston, calculated as at 30 June and 31 December each year. Beston engaged Grant Thornton to undertake an independent valuation of Beston at as 30 June 2020 which determined the Portfolio Value of \$135.4 million.

The IMA had an initial term of 5 years which expired in August 2020. The IMA automatically extends for further terms of 5 years upon expiry of the initial term or any renewed term. After expiry of the initial term, the IMA allows Beston to terminate the IMA by an ordinary resolution of shareholders and with 3 months' notice to BPAM. In the event of termination in this manner, the Investment Manager, BPAM, is entitled to a Termination Fee.

The Termination Fee under the IMA is 5.0% of the Portfolio Value reduced by one sixtieth for each calendar month elapsed between commencement of the term (or extended term). Further details are set out in Section 4.

If the Resolution to terminate the IMA is approved by shareholders, the effective date of termination will be 28 August 2021 at which time settlement of the Termination Payment will occur. BPAM will continue to receive the relevant Management Fee and will continue to be responsible for payment of the remuneration and related costs of the senior management team and all other costs as required under the IMA until this date. Should the Resolution be approved, BPAM has also voluntarily offered to forfeit any Performance Fee which might accrue in the period to settlement.

If the Resolution to terminate the IMA is not approved, the IMA will continue in operation, with automatic renewal every five years and the ongoing payment of the Management Fee and potential Performance Fees (refer Section 5 below), unless subsequently terminated within the provisions of the IMA.

2. Background

As a result of the actions taken over the past five years, Beston is in a sound financial position with the potential for strong prospective forward earnings. The Company is well placed to extract value for shareholders as it continues to grow and develop.

The management team put in place by BPAM has performed a critical role in driving Beston from its position as a start-up to the Company it is today with a turnover of around \$140 million, (all achieved through organic growth), a strong balance sheet and with a platform to drive forward with increasing production of high margin products.

BPAM put together the concept and vision for Beston in 2012, put its own funds at risk in developing the business of Beston, and then identified, negotiated and introduced prime dairy assets at substantially undervalued prices at the time of the IPO of the Company.

Amongst the achievements since start-up are:

- Year-on-year growth in revenues of over 50% pa on average since the IPO in 2015;
- The development of new brands (such as “Edwards Crossing”) that previously did not exist;
- Won over 130 Australian and international awards for Quality and Innovation;
- Built cheese production capacity from virtually nothing to 30,000 MT per annum; and
- Reinstated mozzarella production at Jerois through the installation of a state-of-the-art Italian mozzarella processing plant.

Importantly, capability has been built into the business over this period to drive future growth and profitability with:

- The acquisition and upgrading of the Lactoferrin Nutraceutical factory at Jerois. (Lactoferrin was not previously part of the products manufactured by the former owner of the dairy factories at Murray Bridge and Jerois).

- The purchase of an advanced version of the Italian designed mozzarella plant to enable the production of different variants of mozzarella cheese, which has enabled Beston to “stretch its milk” in response to the two-year drought and produce a number of different variants of mozzarella cheese.
- The development of plant based alternative meat production capabilities at our Provincial Food Group (PFG).

The journey has not been straightforward. Beston has encountered many adversities and setbacks to its timeframes and profit objectives over the past five years (including two years of drought and more recently the COVID-19 pandemic). Notwithstanding, the management team put in place by BPAM has successfully navigated the Company through these challenges. The decisions which have been taken and implemented have enabled the business to evolve and consolidate into a protein business based around the production and sales of dairy protein, meat protein and plant-based protein.

The expansion of the Lactoferrin plant which was recently completed at Jervis builds on the initiatives taken by BPAM in 2016 in acquiring a dairy nutraceutical manufacturing platform and has provided Beston with the capacity to produce over 20MT per annum of high value, high margin Lactoferrin, going forward. This expansion has placed Beston in the position of being able to supply around 5% of the current global demand for Lactoferrin, a protein derivative of milk which is experiencing increasing demand for its nutritive and health benefits (in particular, its anti-viral, anti-carcinogenic, anti-microbial, anti-hypertensive and immune boosting properties).

Additional high value, high margin nutraceutical products (which are in high demand) are capable of being produced from the existing platform as Beston completes its transformative journey into a health and nutrition company, centred around protein and protein derivatives, in line with the third stage of its ten year plan. The opportunities to expand the production of nutraceutical products at the high end of the value chain include lactoperoxidase, GOS (galactooligosaccharide), immunoglobulins and whey protein isolate, all of which command high prices relative to the “commodity” products produced from milk (such as cheese, butter, cream etc.).

BPAM has put in place a high quality and experienced management team at Beston and has positioned Beston with a strong commercial and financial outlook that can generate sustainable returns for shareholders. Going forward, the management team will continue to be focused on building the Company’s capability and capacity to drive future growth and profitability, by expanding the product offering of high margin products in the area of health and nutrition.

Accordingly, BPAM and the Independent Directors consider that now is the appropriate time to terminate and internalise the Investment Management Agreement and have management directly accountable to shareholders for the performance of the Company against its financial objectives over the years ahead. This internalisation will hold management directly accountable to shareholders and align the management incentive structure with conventional structures, and is a natural progression given the evolution of the Company from an investment vehicle to a high-value, protein goods focused business.

3. Assessment of the Resolution

The Independent Directors of BFC undertook an extensive review of the IMA in mid-2020 but advised the market on 7 October 2020 that they believed it was not in the best commercial interests of the Company to proceed with a termination of the IMA at that time.

Subsequently, as a result of the improved market outlook in Australia in relation to COVID-19, further progress achieved at Beston on its business plan and other relevant factors, the Independent Directors resumed their review of the IMA and obtained further independent advice. Having considered this advice, the Independent Directors advised the market on 11 December, 2020 that the termination and internalisation of the IMA would be beneficial and in the best interests of shareholders and that they had reached in-principle agreement with BPAM to terminate the IMA. Formal documentation for termination of the IMA was signed by BFC and BPAM on 29 January 2021 (the “**Termination Deed**”), conditional on passing of a resolution of shareholders, as required under the terms of the IMA.

The reasons for the decision by the Independent Directors for recommending the termination of the IMA include the following:

- Termination may increase the earnings outlook for Beston in the medium and longer term as a result of the elimination of the Management Fee and the potential Performance Fee.
- There will be greater alignment of interests as a result of management being accountable only to the Board of Beston and shareholders.
- Termination may help to reduce the gap between Beston’s share price and the intrinsic Portfolio Value of Beston based on independent valuations.
- All shareholders will benefit proportionately in relation to value creation i.e. there will not be any value leakage which would result if a Performance Fee were payable to BPAM.
- The Performance Fees payable to BPAM could become a material burden on the Company and its shareholders in future periods.
- Termination may broaden the appeal of Beston to a wider range of institutional and professional investors and thereby expand its investor base.
- Management incentivisation and Board governance over executive remuneration will be re-set in line with conventional market practice.
- Termination of the IMA may result in reduced management costs of Beston.
- Internalisation of the IMA will position Beston for the next stage of its evolution in line with its ten year business plan.

The Independent Directors also considered that BPAM has reported publicly that it has undertaken a number of support services for Beston over the past four years for which BPAM has not charged Beston, even though entitled to do so under the terms of the IMA. There is no certainty that BPAM will voluntarily continue to forgo these contractually obligated charges and expenses in future periods which may result in additional expenses to the Company.

Having implemented a number of major strategic, operational and capital initiatives over the past 5 years, and completed Stage 1 and Stage 2 of Beston’s ten year business plan, it is the view of the Independent Directors that it is now an appropriate time to change the governance structure of Beston while delivering economic benefits to shareholders.

4. Termination Payment

The Termination Fee due to BPAM where termination occurs in accordance with clause 17.1(c) of the Management Agreement and pursuant to clause 20.1(b) of the IMA, is calculated as 5% of the Portfolio Value of Beston. The 5% is to be reduced by one sixtieth for each month after August 2020 until the month in which termination of the IMA occurs and then re-sets again at the end of five years.

The key terms of the IMA, including the termination arrangements, were publicly disclosed in the Prospectus at the time of the Initial Public Offer of Beston in 2015. The Management Fee amount, and by implication, the Portfolio Value, is disclosed annually in each statutory result.

Beston commissioned an independent valuation of the Company’s Portfolio Value by Grant Thornton which determined a Portfolio Value of \$135.4m as at 30 June 2020. The Board sought independent advice from Moelis Australia Advisory Pty Ltd (“**Moelis**”) regarding the quantum and manner of payment of the Termination Fee assuming termination as at June 2021:

Portfolio Value	\$135.4m	30 June 2020
Termination Fee	4.17% of Portfolio Value	5.0% of Portfolio Value reduced by 0.083% per month since commencement of the renewed Agreement term in August 2020 (10 months = 0.83% reduction)
implied Termination Fee	\$5.64m	As per IMA
Pro Forma Net debt	\$10.5m	As at 31 December 2020 (adjusted for subsequent equity raising and debt reduction)
Implied Equity Value	\$124.9m	
Shares outstanding	602.5 million shares	As at 31 December 2020
Implied Portfolio Share Price	20.7 cents per share	i.e. Implied Equity Value/Shares outstanding at 31 Dec 20

The Company and BPAM agreed that the implied Termination Fee would be satisfied c.20% in cash and c.80% in Beston fully paid, ordinary shares as follows:

Cash	\$1,130,000 (representing c.20% of the implied Termination Fee)
Shares	\$4,510,000 (representing c.80% of the implied Termination Fee) payable by issue of 21,125,000 shares at the implied issue price of approximately 21.3 cents per share.

The Beston shares to be issued to BPAM had a market value at 29 January 2021, (the date on which the formal Termination Deed to terminate the IMA was signed), of \$1,478,750 based on the prevailing share price of 7 cents per share. Beston's share price as at 21 April 2021, being the day before this Notice of Meeting was finalised, was \$0.08 per share.

The total monetary value of the Termination Payment as at the date of the signed Termination Deed (29 January 2021) was therefore \$2.61 million (versus the amount of \$5.64 million which would be payable if the implied termination fee was fully paid in cash).

BPAM's agreement to the amount and structure of the Termination Payment, and in particular, taking c.80% of the payment in shares at an implied price of 21.3 cents per share (when the share price at the time of the Termination Deed was 7 cents), underscores the confidence which BPAM places in the forward prospects and inherent value of Beston.

An Independent Expert's Report has been obtained from Peloton Corporate to provide an opinion to shareholders whether the financial benefit, being the proposed Termination Payment to BPAM as agreed under the Termination Deed, is **fair and reasonable** to non-associated Shareholders.

That report is discussed in further detail below.

5. Financial Impact of Termination

The internalisation of the IMA is expected to potentially benefit future earnings per share due to the elimination of the Management Fee (which would otherwise increase in magnitude with any increases in Portfolio Value) and the elimination of the Performance Fee which would become payable should the Total Shareholder Return of Beston shares outperform the ASX All Ordinaries and the Gross Performance Fee exceed the Estimated Clawback. The parties have agreed that the transfer of employees from BPAM to Beston will be completed such that Beston does not incur any additional costs or liabilities.

The amounts payable to BPAM in future periods for the Performance Fee, in particular, could become large and onerous to shareholders if the IMA were to remain in place. The Performance Fee is uncapped and potentially recurring and subject to clawback from any accrued periods of

negative outperformance. Based on the Performance Fee calculation formula outlined in the IMA and calculated half yearly, Moelis has estimated the accumulated clawback since listing to be \$20.1 million.

Based on high level illustrative assumptions, Moelis have calculated that the following Performance Fee may be payable in the future:

All Ords Index Total Shareholder Return (TSR)	5.00%	<i>Illustrative assumption</i>
BFC Share Price	\$0.15 per share	<i>Illustrative assumption</i>
BFC TSR	127.3%	<i>Based on share price of \$0.066 per share as at 1 January 2021. Share price growth used as a proxy for total shareholder returns (assumes no dividends)</i>
BFC TSR outperformance	122.3%	<i>Calculated as BFC TSR – All Ords Index TSR</i>
Implied Market Cap	\$126.4m	<i>Based on 842.7m shares outstanding as at 12 February 2021 (being post recent Entitlement Offer) at an illustrative share price of \$0.095 per share</i>
(x) 17.5%	\$22.1m	<i>Performance Fee formula</i>
(x) BFC TSR outperformance	122.3%	<i>Performance Fee formula</i>
Gross Performance Fee Payable	\$27.0m	<i>Before clawback from accrued periods of negative outperformance</i>
Estimated Clawback	(\$20.1m)	<i>Estimated clawback amount to 31 Dec-20</i>
Net Performance Fee Payable	\$7.0m	<i>Illustrative example of potential future Performance Fee payable post clawback</i>

The above example illustrates a potential situation whereby a performance fee would be payable to BPAM as a result of Beston's Total Shareholder Return outperformance. It is an

illustrative example only, and is not a forecast. It is provided for the purpose of informing shareholders about the possible financial impact of not terminating the IMA.

Other illustrative Performance Fee scenarios are contained in Appendix B.

The formula for the Performance Fee was designed in a different context when Beston was an investment vehicle and it was never contemplated that the IMA would generate additional annual payments of the magnitude estimated by Moelis in the different scenarios.

The Independent Directors consider that the payment of the Termination Payment is a short term cost that may avoid a much larger and recurring potential liability going forward.

It is noted that two of the Company's Directors, Dr Roger Sexton and Mr. Stephen Gerlach (by virtue of their control of BPAM) may receive a benefit in the event the Resolution is not approved. The benefit, and financial amount of any benefit in such circumstances, is purely speculative, but the Independent Directors believe it important that shareholders recognise that if the Resolution is not passed, Dr Sexton and Mr Gerlach may benefit through BPAM receiving a higher termination payment in the future, or in the event a Performance Fee is paid in the future. The Independent Directors reiterate this information is for illustrative purposes only and note that the Company may never be required to pay a Performance Fee. Further it is noted that BPAM will continue to receive the Management Fee under the IMA if the Resolution is not passed.

The cash consideration of \$1,130,000 will be funded from Beston's existing working capital upon termination of the IMA.

The issue of 21,125,000 shares in the Company to BPAM will occur at the Settlement Date, three months following the date of this meeting, on 28 August 2021. Pursuant to ASX Listing Rule 10.13, shares are to be issued to a related party (i.e. BPAM) within one month of shareholder approval. However the ASX has granted a waiver to Beston (**ASX Waiver**) so as to allow for the issue of the shares to BPAM on 28 August 2021 (i.e. more than one month shareholder approval) as follows:

- The Termination Shares will be issued no later than three months after the date of the Meeting (being 28 August 2021);
- For any annual reporting period during which any of the Termination Shares are issued or remain to be issued (i.e. between the Meeting and 28 August 2021), the Company's annual report must set out in detail the number of Termination Shares issued in that annual reporting period, the number of Termination Shares that remain to be issued, and the basis on which the Termination Shares may be issued.
- In any half year or quarterly report for the period during which any of the Termination Shares have been issued or remain to be issued (i.e. between the Meeting and 28 August 2021), the Company must include a summary statement of the number of Termination Shares issued during the reporting period, and the number of Termination Shares that remain to be issued and the basis on which the Termination Shares may be issued.

6. Risks and Disadvantages

There are a number of risks and disadvantages associated with internalisation of the IMA which should be taken into account by Shareholders:

- Beston will need to pay BPAM a Termination Payment in the amount agreed, namely \$1,130,000 in cash and by way of the issue of 21,125,000 fully paid ordinary shares in Beston.
- Beston will no longer have access to BPAM's expertise and resources, other than via the continuing support of the principals as members of the Board of Directors.
- If the termination proposal is implemented, Beston will be reliant on retaining and attracting senior executives and other employees. The loss of the services of BPAM or the inability to attract qualified personnel could adversely affect Beston's operations.
- While the Independent Directors believe that an internalised management structure will broaden the investor appeal of Beston, there is no guarantee that the price of Beston shares will increase as a result.

7. Transitional Arrangements

Beston and BPAM have agreed that on the Resolution being passed as required by clause 20.1(b) of the IMA, the Company will be taken to have given BPAM 3 months' notice of termination of the IMA, expiring on the Termination Date of 28 August 2021. Assuming that the Resolution is passed, Beston's Remuneration and Nominations Committee of the Board (RemCo) will become the "Transition Committee" to work with BPAM to put in place transitional arrangements for BFC to oversee the internalisation and transition of appropriate responsibilities from BPAM to Beston.

The membership of the Transition Committee consists of a majority of Independent Directors (Joanna Andrew, Petrina Coventry, Neil Longstaff) and two BPAM Directors (Roger Sexton and Stephen Gerlach).

The Transition Committee will consult with an independent remuneration consultant to ensure that the remuneration structure and terms of the short-term incentive (STI) and long-term incentive (LTI) plans offered to senior employees are appropriate and in line with market practice.

Under the current arrangements of the IMA, senior staff are rewarded with bonuses by way of any allocation of shares or cash from any performance fees earned by BPAM. As a consequence of BPAM voluntarily forfeiting a performance fee earned in 2016, no bonuses have been paid to senior staff other than by cash payments made directly by BPAM from its own funds.

Beston will continue to pay management fees to BPAM during the transitional period up to the termination date of 28 August 2021, in accordance with the terms of the IMA.

8. Financial Benefit

Part 2E.1 of the *Corporations Act* regulates the provision of “financial benefits” by a public company and entities controlled by the public company to related parties of the public company. By section 208(1) of the Act, the Company can only give a “financial benefit” to a “related party” of the Company if the Company obtains the approval of its Shareholders in accordance with the procedures set out in Part 2E.1 of the Act. For the purposes of the Act, a “related party” of the Company includes the Directors of the Company, and entities which they control. As BPAM is controlled by Beston Directors Dr Roger Sexton and Mr Stephen Gerlach, BPAM is considered a related party of Beston.

The Act deems the issuing of securities to a related party to constitute the giving of a “financial benefit” to the related party.

Section 210 of the Act provides an exception to the need to obtain Shareholder approval where, inter alia, the financial benefit would be reasonable in the circumstances if the company and the related party were dealing at arm’s length or are less favourable to the related party than such terms.

The Independent Directors note that the Termination Deed and the Termination Payment were negotiated at arm's length . In negotiating the Termination Deed with BPAM, the Independent Directors had the benefit of independent, external advice. As such, the Independent Directors are of the view that the Termination Deed and the Termination Payment are on "arm's length terms". This is particularly so given the differences in value to the Company between the potential Termination Fee as calculated under the Management Agreement and the Termination Payment, as the actual agreed Termination Payment is less favourable to the related party.

Nevertheless, the Company is not seeking to rely on the arm's length terms' exception but is seeking the approval of Shareholders for the purposes of Part 2E.1 of the Act for the giving of a financial benefit to a related party. This is so as to provide shareholders with the opportunity to cast their vote in relation to the financial benefit aspect of the transaction with the benefit of the Independent Expert’s Report as well as the approving the Termination itself. Accordingly, the information set out in this Explanatory Memorandum and in the accompanying Independent Expert's Report is provided as required under section 219 of the Corporations Act.

Interests of related parties

It is noted that as well as being directors of the related party, BPAM, Dr Sexton and Mr Gerlach each have an interest Beston shares. Set out in the table below are Dr Sexton and Mr Gerlach's holdings, along with the potential dilutive effects on current shareholders in the event the Termination Shares are issued to BPAM.

Name	Current interest in shares	Current (% of all BFC Shares)	Shares post issue of Termination Shares	% of all BFC shares post issue of Termination Shares)
(Related Parties)				
• Dr. Sexton*	• 20,890,000	• 2.48%	• 20,890,000	• 2.42%
• Mr. Gerlach*	• 5,034,587	• 0.59%	• 5,034,587	• 0.58%
• BPAM	• 982,630	• 0.11 %	• 22,107,630	• 2.56%
• Total Related Parties	26,907,217	3.18%	48,032,217	5.56%
All Shareholders (excluding Related Parties)	815,767,191	96.82%	815,767,191	94.44%
Total	842,674,408	100%	863,799,408	100%

*Excludes shares held through BPAM.

9. ASX Listing Rule 10.11

The issue of the Termination Shares to BPAM falls within ASX Listing Rule 10.11, which prohibits the issue of equity securities to a related party without approval of holders of ordinary securities. For the purposes of the ASX Listing Rules, BPAM is a related party. The issue of Termination Shares to BPAM does not fall within any of the exceptions in ASX Listing Rule 10.12.

The Resolution seeks Shareholder approval to issue the equity securities, being the Termination Shares, to BPAM, on the terms and conditions as noted above. This includes an implied share issue price of \$0.213 per share (representing an approximately 200% premium to the 5-day VWAP to 29 January 2021) and an issue date of 28 August 2021 (three months following the date of this Meeting, as required under the terms of the IMA).

The following information is provided in accordance with ASX Listing Rule 10.13 for the purposes of Shareholder approval required by ASX Listing Rule 10.11:

- (a) the securities will be issued to Beston Pacific Asset Management Pty Ltd (**BPAM**), an entity whose sole directors and controllers are Company directors Dr Roger Sexton and Mr Stephen Gerlach (for the purposes of the ASX Listing Rules, a related party);

- (b) the number of securities to be issued is 21,125,000 Shares;
- (c) the securities will be issued and allotted on 28 August 2021;
- (d) the implied issue price for the Shares is \$0.213 per Share;
- (e) the Shares to be issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the issue of securities is pursuant to the Termination Deed and termination of the IMA and the Termination Payment as agreed by the Independent Directors of the Company and BPAM

As the issue and allotment date of the Termination Shares is greater than 1 month after the date of Shareholder approval (being the date of this Meeting), the Company has been granted a waiver by ASX in relation to ASX Listing Rule 10.13.5, which requires an entity must issue the securities no later than 1 month after the date of meeting.

If the Resolution is not passed, the Company will not be able to proceed with the proposed termination of the IMA and pay the Termination Payment as the terms of the Termination Payment are fixed. The management fee arrangements will continue in place under the terms of the IMA in this case and the Termination Payment will have to be renegotiated.

10. Conclusion of the Independent Expert

The Independent Expert performed an assessment as to whether the payment of the Termination Payment under the Termination Deed is fair and reasonable from the perspective of non-associated Shareholders.

The Independent Expert reviewed the IMA and performed a calculation of the termination fee payable under the IMA. Based on its review, the termination fee payable is \$5.42 million.¹

The Independent Expert reviewed the Termination Deed and performed a calculation of the Termination Payment payable under the Termination Deed. Based on its review, the value of the Termination Payment payable as at the date of the valuation by the Independent Expert (21 April 2021) is \$2.67 million.

The Independent Expert has determined that the financial benefit (being the Termination Payment payable under the Termination Deed) is 'fair' and 'reasonable' to non-associated Shareholders for the reasons set out in the report.

A complete copy of the Independent Expert's Report is included in Appendix A to this Notice of Meeting.

¹ BPAM and Beston agreed a termination fee of a notional \$5.64 million assuming a termination date of 28 June 2021. The difference, while not significant, being due to differing assumed termination dates under the IMA.

Shareholders are encouraged to carefully read the Independent Expert's Report to understand the scope of the Report, the methodology of the valuation and the sources of information and assumptions made.

11. Recommendation

Each of the Independent Directors has considered the benefits to the Company of the Resolution, the potential financial impacts to the Company in the event of termination and no termination of the IMA, and the surrounding circumstances of the Resolution in line with the Company's plans. The opportunity costs of the Resolution (i.e. the lost opportunity due to payment of the Termination Fee and issue of the Termination Shares) is not considered a significant cost by the Independent Directors. Each of the Independent Directors acknowledges the financial benefit provided to a related party by virtue of the Resolution's passing, as well as the potential future financial benefit received by a related party (BPAM) should the Resolution fail to be passed.

In light of each of these considerations, each of the Independent Directors (excluding those Directors excluded from voting on this Resolution) unanimously recommend Shareholders vote **in favour** of the Resolution.

Dr Sexton and Mr Gerlach being Directors who have an interest in the Resolution, abstain from making any recommendation

The Directors (excluding those Directors excluded from voting on this Resolution) will vote the Beston Shares that they own or control **in favour** of the Resolution.

GLOSSARY

In this Explanatory Memorandum, the following terms have the following unless the context otherwise requires:

"**ASX**" means ASX Limited ACN 008 624 691 or the securities exchange operated by ASX Limited.

"**ASX Listing Rules**" means the ASX Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

"**Beston**" and "**Company**" means Beston Global Food Company Limited (ACN 603 023 383).

"**Board**" means the Board of Directors from time to time.

"**Corporations Act**" and "**Act**" means the *Corporations Act 2001* (Cth).

"**Directors**" means the Directors of the Company from time to time and "**Director**" means any one of them.

"**Explanatory Memorandum**" means this explanatory memorandum.

"**Independent Directors**" means the Directors of Beston other than Dr Roger Sexton and Mr Stephen Gerlach.

"**Independent Expert**" means Peloton Corporate.

"**Independent Expert's Report**" means the report prepared by Peloton Corporate in relation to the Resolution and included in Appendix A of this Explanatory Memorandum.

"**Key Management Personnel**" means those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any Director (whether executive or otherwise).

"**Moelis**" means Moelis Australia Advisory Pty Ltd (ACN 142 008 446) (ASFL 345499)

"**Shareholder**" means a holder of Shares in the Company.

"**Termination Deed**" means the deed to terminate the Management Agreement dated 29 January 2021 between BPAM and Beston.

"**Termination Fee**" means the fee payable to BPAM on termination of the IMA in accordance with the terms of the IMA.

"**Termination Payment**" means the payment to be made to BPAM pursuant to the Termination Deed.

"**Termination Shares**" means the 21,125,000 fully paid ordinary shares in Beston to be issued to BPAM pursuant to the Termination Deed.

Appendix A – Independent Expert's Report



Independent Expert Report in regard to the proposed termination of the Investment Management Agreement between Beston Global Food Company and Beston Pacific Asset Management

Beston Global Food Company Ltd
22 April 2021



Contents

1. Executive summary	2
2. Background	3
3. Purpose and scope	3
3.1 Fair	4
3.2 Reasonable	4
4. Key terms of the IMA	4
5. Key terms of the Termination Deed	6
6. Calculation of termination fee	6
6.1 Termination fee under IMA	6
6.2 Termination fee pursuant to Termination Deed	7
7. Assessment conclusion	8
8. Other considerations	8
8.1 General advice only	8
8.2 Valuation engagement	8
8.3 Definition of value	8
8.4 Limitations	9
8.5 Team	9
Appendix 1 — Glossary	11
Appendix 2 — Sources of information	12
Appendix 3 — Statement of qualifications and declarations	13
Appendix 4 — Financial services guide	15

22 April 2021

The Independent Directors
Beston Global Food Company Ltd
Level 9
420 King William Street
Adelaide SA 5000

Dear Directors,

Re: Independent Expert Report in relation to the proposed termination of IMA with BPAM

Peloton Corporate Pty Ltd ["Peloton"] has been engaged by Beston Global Food Company Ltd ["BFC" or "Company"] to prepare an Independent Expert Report ["IER"] in relation to the proposed termination of the Investment Management Agreement ["IMA"] between BFC and Beston Pacific Asset Management Pty Ltd ["BPAM"].

BFC's independent directors have sought an opinion as to whether the termination fee set out in the Termination Deed ["Deed"] is fair and reasonable (as explained in the body of the report).

Our assessment is that the value of the termination fee payable by BFC under the Deed is lower than the value of the termination fee that would be payable under the formula in the IMA. Consequently, Peloton opines that payment of the termination fee under the Termination Deed is fair and reasonable.

We encourage all shareholders to read the report in its entirety and to seek advice regarding their personal financial position as the report has been written from a perspective of all shareholders as an aggregated group.

Yours sincerely



Michael Churchill
Head of valuations

1. Executive summary

Peloton has been instructed to perform an assessment as to whether the termination fee payable under the terms of the Termination Deed ["Deed"] is fair and reasonable when compared with the termination fee set out in the IMA.

This assessment requires a comparison of the termination fee payable under the Deed and that which would otherwise be payable under the IMA.

Peloton reviewed the IMA and performed a calculation of the termination fee payable under the IMA, in accordance with the formula set out therein. Based on its review, the termination fee payable is \$5.42m.

Peloton reviewed the Deed and performed a calculation of the termination fee payable under the Deed, in accordance with the formula set out therein. Based on its review, the value of the termination fee payable is \$2.67m. This is comprised of a cash portion of \$1.13m and an equity portion with a market value of \$1.54m.

Based on these calculations, the value of the termination fee payable by BFC under the Deed is lower than the value of the termination fee payable under the formula in the IMA.

Peloton also notes that the Termination Deed contemplates BPAM relinquishing any performance fee payable by BFC.

To the extent this would have otherwise resulted in a payment from BFC to BPAM, this is to the benefit of BFC and its shareholders.

Consequently, Peloton opines that the amount of the termination fee payable under the Termination Deed is fair and (therefore) reasonable.

The valuation date is 21 April 2021.

2. Background

BFC is an ASX-listed food manufacturing and distribution company, the shares of which became quoted on the ASX on 28 August 2015. BFC sells dairy, meat and beverage products through retail and wholesale channels to domestic and internationally domiciled customers. It also owns a portfolio of food assets that are situated across the supply chain, from processing factories to sales and distribution networks.

The Company's largest division is its dairies business, Beston Pure Dairies ["BPD"]. BPD is Australia's 3rd largest mozzarella producer and accounts for consumption of more than 20% of South Australia's milk supply. It processes its products through its mozzarella plant in Jervois and a cheddar facility in Murray Bridge.

The Meat business, Provincial Food Group, based in Shepparton, Victoria, purchases wholesale beef and lamb which is then further processed, packaged and sold into the food service, retail and export industries.

BFC also operates a small technology business, focusing on food safety technology, and beverage manufacturer AQUAEssence.

BPAM is an investment management firm, which executed the IMA with BFC in 2015, prior to the IPO. Under this agreement, BFC pays a management fee to BPAM based on the enterprise value of BFC. From this management fee, BPAM pays, amongst other costs, the salaries of the key BFC executives.

The Independent Directors have resolved to terminate the IMA with BPAM and internalise the management functions. An announcement was made to the ASX on 11 December 2020 that the IMA would be internalised (i.e. terminated), subject to the approval of shareholders at an Extraordinary General Meeting to be held on 28 May 2021 ("Proposed Transaction").

To facilitate the internalisation, BFC and BPAM entered the Termination Deed. This gives rise to the payment of a termination fee, which is calculated using the same formula as the IMA, however the consideration type payable departs from the IMA.

BFC's Independent Directors have sought an IER to ensure shareholders are fully informed. In particular, the IER considers the termination fee payable under the terms of the IMA and opines on whether the termination fee proposed in the Deed is the same or less than the amount which would be payable under the terms of the IMA.

ASIC guidance RG111 *Contents of expert reports* and RG76 *Related party transactions* have been applied to the preparation of the IER, along with ASIC Guidance RG 112 *Independence of expert*, details of which are discussed further below. We note that the ASIC regulatory guidance prohibits Peloton, as independent expert, from participating in any deliberations regarding any potential changes to the Proposed Transaction.

3. Purpose and scope

Peloton has been instructed to perform an assessment as to whether the termination fee payable under the terms of the Deed is fair and reasonable when compared with the termination fee set out in the IMA.

This assessment requires a comparison of the termination fee payable under the Deed and that which would otherwise be payable under the IMA. Peloton has applied the 'fair and reasonable' construct contemplated by ASIC Guidance RG111 and has opined in that manner. As a related party transaction, Peloton has assessed 'fairness' by considering the consideration payable to BPAM under the terms of the Deed and that which would otherwise be payable upon termination under the terms of the IMA.

The main purpose of the IER is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Proposed Transaction.

This IER is intended to provide BFC Shareholders, with the requisite background to support an informed decision about the Proposed Transaction.

It is important to note that the IER addresses Shareholders as an homogeneous group; and it does not consider an individual shareholder's personal financial circumstances.

ASIC Regulatory Guide 111 Content of expert reports ["RG 111"] requires that the IER must opine on whether the proposed transaction is 'fair and reasonable'. RG111.56 establishes that there are two distinct criteria to be considered:

- a. whether the transaction is 'fair'; and
- b. whether the transaction is 'reasonable'?

In addition to dealing with the above matters, this IER includes the following information and disclosures:

- particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between Peloton and any of the parties to the Proposed Transaction;
- the nature of any fee, pecuniary interest, or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- that we have relied on information provided by the Directors and management of the parties to the Proposed Transaction and that we have not carried out any form of audit or independent verification of the information provided; and
- that we have received representations from the Directors of the parties to the Proposed Transaction in relation to the completeness and accuracy of the information provided to us for the purpose of our report.

3.1 Fair

RG 111.57 states that a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. In this instance, the Proposed Transaction will be fair to the non-associated shareholders if the assessed value of the termination fee payable under the Termination Deed is less than or equal to the termination fee set out in the IMA.

3.2 Reasonable

RG 111.60 indicates that a transaction is 'reasonable' if it is fair.

RG111.60 also contemplates that a transaction might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to vote for the Proposed Transaction.

4. Key terms of the IMA

The IMA was entered into by BFC and BPAM on 23 June 2015 and replaced a superseded version of the document. The agreement governs the relationship between BPAM, as an investment manager, and BFC, as the asset owner. BPAM is appointed to make recommendations and provide advice to BFC regarding its investments, and to manage those investments.

The key terms of the IMA are summarised below:

Commencement date:

The date on which BPAM is advised by BFC that BFC has received cleared funds from the completion of its pre-IPO capital raising. According to the Termination Deed, this date is on or about 26 August 2015.

Term:

5 years from Commencement Date, with automatic 5 year renewals. The 5-year term of the IMA commenced on the 26 August 2015 and thus expired on 26 August 2020. This has been automatically renewed a further 5 years (i.e. expiring (26 August 2025), in accordance with the terms of the IMA.

Manager's powers and obligations:

BPAM has the authority to deal with the Portfolio and do all things and execute all documents necessary for the purpose of managing the Portfolio. BPAM is also authorised to vote in relation to Portfolio securities.

Further, BPAM is obliged to:

- make recommendations and advise on investments
- make investments or divestments (on instruction)

- manage the Portfolio and keep it under review
- maintain internal risk management policies
- assist with development of promotional materials
- provide administrative services related to the Portfolio as required

Restriction on powers:

The Manager cannot:

- enter or hold derivative contracts (unless backed by assets)
- acquire or dispose of any Investment unless instructed by the Company
- encumber any assets
- perform a broking function in relation to the Portfolio
- engage in securities lending

Exclusivity:

During the Term, BPAM will be the sole and exclusive provider of investment and management services. BPAM must not perform similar services for any other entity in the agribusiness sector.

Valuations:

BPAM will carry out a 'fair market valuation' of the Portfolio as at 30 June and 31 December each year. This will be taken as the Portfolio Value, after approval from BFC.

Manager expenses:

BPAM is obliged to pay:

- all expenses related to its salaries, benefits and other personnel expenses
- all administrative costs of BPAM
- fees payable to asset managers

Termination:

BPAM can terminate with 6 months' notice.

Following the first 5 year term, BFC can terminate with 3 months' notice after an ordinary resolution of the members (shareholders) is passed, or in the event of a default (i.e. administration event or breach of agreement).

Management fee:

Management fee = 1.2% p.a. (ex-GST) of the Portfolio Value. Calculated half-yearly and cash paid in 12 equal monthly instalments.

Termination does not affect any accrued management fees payable, which are paid pro rata.

Performance fee:

The performance fee is calculated based on BFC's Total Shareholder Return ["TSR"] performance compared to the ASX All Ordinaries Accumulation Index.

Performance fee = 17.5% x market capitalisation of BFC x (BFC TSR% - ASX All Ordinaries Accumulation index TSR)

where ASX All Ordinaries Accumulation index TSR = change in the index value.

Payable in fully paid shares or performance rights (not cash). Calculated half-yearly in advance and paid annually.

Termination does not affect any accrued performance fees payable.

Termination fee:

Termination fee = 5% of the most recent Portfolio Value of BFC, reduced by 1/60 (i.e. 1.67%) for each month elapsed between term Commencement and Termination Date.

For example, if 6 months have elapsed, the termination fee = 4.5% x Portfolio Value. If 12 months have elapsed, the termination fee = 4.0% x Portfolio Value.

The IMA does not specify the type of payment for any termination fee (e.g. cash, shares, rights). Peloton has assumed that the fee is 100% payable in cash.

5. Key terms of the Termination Deed

BFC and BPAM entered the Deed on 26 August 2021. Its purpose is to set out the process for terminating the IMA and calculating the termination fee payable by BFC to BPAM.

The key terms relating to calculation of the termination fee are summarised below:

Term commencement date:

26 August 2020

Termination date:

28 August 2021

Approvals required:

Prior to termination taking effect, the following approvals are required:

- Shareholder approval by ordinary resolution at a meeting scheduled for 28 May 2021;
- A waiver of Listing Rule 10.13.5 from the ASX (that shares must be issued within one month of the date of shareholder approval); and
- BFC compliance with Chapter 2E of the Corporations Act (that deals with payments to related parties).

Shareholder approval:

A meeting is to be convened no later than 28 May 2021. BFC will seek approval, by ordinary resolution, to terminate the IMA.

Performance fee:

BPAM agrees to relinquish any performance fee for the period 1 January 2021 to 28 August 2021. To the extent this would have otherwise resulted in a payment from BFC to BPAM, this is to the benefit of BFC and its shareholders.

Termination fee:

The calculation used to determine the termination fee payable under the Deed is the same as that used in the IMA. The only difference between the termination fee payable under the Deed is the type of consideration payable to BPAM. The IMA does not specify the type of consideration BFC can pay BPAM as a termination fee. However, the Deed specifically sets out the compensation payable to BPAM, split between cash (\$1.13m) and fully paid ordinary shares in BFC (21.125m).

6. Calculation of termination fee

6.1 Termination fee under IMA

As set out above, the termination fee is calculated according to the formula:

$$\text{Termination Fee} = 5\% \times \text{Portfolio Value} \times \left(1 - \left(\frac{1}{60} \times n\right)\right)$$

Where n = number of months elapsed between term commencement date and termination date.

Grant Thornton has prepared an assessment of the Portfolio Value (as defined in the IMA) as at 30 June 2020. In its report, dated 29 September 2020, Grant Thornton determined an enterprise value for the Portfolio and applied this as the Portfolio Value. The assessed Portfolio Value is \$135.395m as at 30 June 2020. Peloton has relied on this assessment for the purpose of calculating the termination fee payable under the IMA.

Under the termination clause in the IMA, the termination date is 3 months after BPAM receives written notice from BFC regarding its intention to terminate the agreement, which must follow shareholder approval passed by ordinary resolution. The shareholder meeting is currently scheduled for 28 May 2021. As such, the termination date is 28 August 2021. Therefore, 12 months will elapse from the term commencement date of 26 August 2020 to the termination date of 28 August 2021 (rounding to the nearest whole month).

Applying the formula calculates a termination fee of \$5.42m, being

$$\$5,415,800 = 5\% \times \$135,395,000 - \left(1 - \left(\frac{1}{60} \times 12\right)\right)$$

The required inputs are shown below.

Item	Input
Grant Thornton Portfolio Valuation (\$)	\$135,395,000
Term commencement	26-Aug-20
Termination date	28-Aug-21
Months elapsed	12
Termination fee	\$5,415,800

Peloton notes that this is a calculation of the termination fee only and does not consider any other fee potentially payable by BFC to BPAM under the IMA (e.g. performance fee, management fee).

6.2 Termination fee pursuant to Termination Deed

The calculation used to determine the termination fee payable is the same under the Deed as it is under the IMA.

Therefore, applying this formula calculates the same total termination fee of \$5.42m.

Peloton notes that its calculation does not result in the same termination fee that is listed in the Deed (\$5.64m). The difference appears to be the input used for the number of months elapsed from the Commencement Date to the Termination Date. If a termination date of 28 June 2021 was employed (i.e. 10 months elapsed), the termination fee would equal \$5.64m. However, Peloton notes that the difference is not material to the total *value* of the termination fee payable under the Deed (discussed below) and employing a termination fee of \$5.64m would not change the outcome of this report.

The single difference between the termination fee contemplated under the Deed and the termination fee contemplated under the IMA is the type of consideration payable to BPAM. As noted, the IMA does not specify the type of consideration that can be used as payment of the termination fee. Peloton assumes that the termination fee under the IMA is payable in 100% cash. The Deed, however, details the consideration payable, split between a cash portion of \$1.13m and an equity portion of 21.135m fully paid, ordinary BFC shares.

Consistent with the requirements of RG111, Peloton considered the available methodologies for assessing the market value of the scrip component of the consideration. Given BFC shares are traded on the ASX, Peloton has employed a 20-day volume weighted average of the observed closing BFC share price to 21 April 2021 as the basis of the assessment.

Given a total termination fee of \$5.42m, and a cash portion of \$1.13m, the implied equity portion of the consideration equals \$4.29m. Dividing the implied equity portion by the number of shares to be issued gives an implied share price of 20.29 cents. This compares to the market value of BFC shares (using a 20 day volume weighted average price to 21 April 2021) of \$1.54m, being 21.125m x \$0.07272.

As such, the shares will be issued at a significant discount (66%) to the price implied by the Deed. Peloton notes that the termination fee payment contemplated by the Deed was announced to shareholders on 11 December 2020. As such, the VWAP reflects the markets' fully informed view on the likely future share price of BFC following internalisation of the IMA and payment of the termination fee.

As noted, the difference between the termination fee released to the ASX (\$5.64m) and the termination fee calculated by Peloton (\$5.42m) does not make a material difference to the implied equity portion of consideration, given the significant discount of the value of shares to be issued. Employing the termination fee of \$5.64m would not change the outcome of this report.

Combining the cash portion of the termination fee and the current market value of the shares to be issued, the current value of the total termination fee is \$2.67m, as shown in the table below:

Item	Amount
Cash portion	\$1,130,000
Equity portion	\$4,285,800
BFC shares to be issued	21,125,000
Implied share price	\$0.2029
VWAP	\$ 0.07272
Market value of shares to be issued	\$1,536,210
Market value of termination fee	\$2,666,210

7. Assessment conclusion

Peloton reviewed the IMA and performed a calculation of the termination fee payable under the IMA. Based on its review, the termination fee payable is \$5.42m.

Peloton reviewed the Deed and performed a calculation of the termination fee payable under the Deed. Based on its review, the value of the termination fee payable is \$2.67m.

Based on these calculations, the value of the termination fee payable by BFC under the Deed is lower than the value of the termination fee payable under the formula in the IMA. Consequently, Peloton opines that the amount of the termination fee payable under the Termination Deed is fair and (therefore) reasonable.

8. Other considerations

8.1 General advice only

This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the shareholders of BFC. The decision to accept or reject the Proposed Transaction is a matter for individual shareholders. Shareholders of BFC should consider the advice in the context of their own circumstances and preferences. Shareholders of BFC who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own professional adviser.

Peloton has prepared a Financial Services Guide in accordance with the Corporations Act. This is included in Appendix 4 to this report.

Our opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

8.2 Valuation engagement

Accounting Professional & Ethical Standards 225 ["APES225"] issued by the Accounting Professional & Ethics Standards Board, states that a valuation engagement is an engagement to perform a valuation and provide a valuation report where the member is free to employ the valuation approaches, valuation methods and valuation procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the engagement available to the member at the time.

This report is a 'valuation engagement' in the terms of APES225.

8.3 Definition of value

The basis of value adopted in this report is market value. Market value is defined by the IVSC as follows:

"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."²

8.4 Limitations

Our opinion is based on the economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Our report is also based upon financial and other information provided by or on behalf of BFC. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. None of these additional tasks have been undertaken.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of management of the Company. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation. Peloton has been provided with a representation letter that attests to the accuracy of management representations, financial and other information which Peloton has employed in forming its opinion.

All dollar amounts are shown in Australian dollars unless otherwise stated.

8.5 Team

Michael Churchill BCom Grad Dip FCPA SFin AICD ATI

Michael's career includes over 30 years' valuation and corporate advisory experience. He has held CEO and Partner roles since 1997 in organisations such as accounting firm PwC, infrastructure manager CP2 and boutique adviser Value Adviser Associates.

Michael has been involved in the issue of independent expert reports for a wide range of capital raisings, restructures and takeovers for more than 30 years.

Michael co-authored *Business Valuations Digest* and has authored numerous published articles relating to valuations, expert reports, public sector commercialisation and value management.

He was a member of the Tax Institute Disputes Resolution Committee in 2016 and is a former partner of PwC.

Kalem Sammut BCom CFA

Kalem is a corporate finance advisor with over 10 years of experience across M&A, capital raisings and valuation. Kalem acted as the Project Manager for this assignment, undertaking the modelling, analysis and valuation, and preparation of this report.

Kalem has a Bachelor of Commerce degree from the University of Western Australia and is a CFA Charterholder.

Kalem and Michael were assisted by *Jake Potter*, Senior Analyst. Jake has corporate advisory experience as an Analyst at a boutique advisory practice where he provided key support on various sell-side mandates and valuation engagements for clients including institutional investors, ASX-listed corporates, and government-owned entities.

Jake attended RMIT University where he completed a Bachelor of Commerce. Jake is also a level two candidate in the Chartered Financial Analyst program.

² International Valuation Standards 2017, Para 30.1

Quality assurance was completed by *Phil Bayley*, Director.

Appendix 1 — Glossary

Term	Definition
APES225	APES225 Valuation Services
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BFC	Beston Global Food Company Ltd
BPAM	Beston Pacific Asset Management Pty Ltd
BPD	Beston Pure Dairies
Company	Beston Global Food Company Ltd
Deed	Termination Deed between BFC and BPAM, dated 29 January 2021
IER	Independent Expert Report
IMA	The updated Investment Management Agreement between BFC and BPAM dated 28 August 2015
IVSC	International Valuation Standards Council
Peloton	Peloton Corporate Pty Ltd
Proposed Transaction	Termination of the IMA and completion of the Termination Deed
TSR	Total Shareholder Return
Valuation Date	21 April 2021
VWAP	Volume weighted average price

Appendix 2 — Sources of information

1. Termination Deed dated 29 January 2021
2. Updated Investment Management Agreement dated 28 August 2015
3. Grant Thornton valuation report dated 29 September 2020
4. Various advice to BFC and BPAM in regard to termination of the IMA
5. Various ASX releases and publicly available data
6. Capital IQ

Appendix 3 — Statement of qualifications and declarations

Peloton Corporate is qualified to provide this report. It is a corporate authorised representative of Capital Value Securities Pty Ltd, which holds an Australian Financial Services Licence under the Act. The Peloton Corporate personnel responsible for this report have not provided financial advice to BFC in relation to the Proposed Transaction.

Prior to accepting this engagement, Peloton Corporate considered its independence with respect to BFC with reference to ASIC Regulatory Guide 112: *Independence of experts*. In our opinion, we are independent of BFC.

This report has been prepared specifically for the BFC's shareholders. Neither Peloton Corporate nor any member or employee thereof undertakes responsibility to any person, other than BFC shareholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report Peloton Corporate has relied upon and considered information believed after due inquiry to be reliable and accurate. Peloton Corporate has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. Peloton Corporate has evaluated the information provided to it by BFC, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially miss-stated or would not afford reasonable grounds upon which to base this report. Peloton Corporate does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose. The information we have had regard to in the preparation of this report is set out in Appendix 2 — Sources of Information.

The information provided to Peloton Corporate has been evaluated through analysis, enquiry and review to the extent it considered necessary for the purposes of forming an opinion. Peloton Corporate does not warrant that its enquiries have identified or verified all the matters that a formal audit or due diligence may disclose. Accordingly, this report and the opinions contained in it should be considered more in the nature of a commercial and financial review rather than a comprehensive audit or due diligence.

BFC has provided an indemnity to Peloton Corporate for any claims arising out of any miss-statement or omission in any material or information provided to it in the preparation of this report.

This report should be read in its entirety to ensure that no isolated statements, analyses or other factors are construed out of context. The preparation of an opinion is a complex process and subject to professional judgement. The overall opinion is not to partial analysis or summary.

Peloton Corporate provided a redacted draft copy of this report to the independent directors and management of BFC for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of Peloton Corporate alone. Changes made to this report as a result of this review by the independent directors and management of BFC have not changed the methodology or conclusions reached by Peloton Corporate.

Peloton Corporate will receive a professional fee based on time spent in the preparation of this report, of \$25,000 (exclusive of GST). This fee is not contingent on the outcome of the Proposed Transaction. Peloton Corporate will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Michael Churchill, Head of Valuations, has assumed overall responsibility for this report. He has over 30 years' experience in providing valuation advice and has professional qualifications appropriate to the advice being offered. Michael holds a Bachelor of Commerce, post graduate Diploma in Financial Analysis and Investment and is a Fellow of CPA Australia, a Senior Fellow of Finsia, a member of the Tax Institute and of the Institute of Company Directors.

In the preparation of this report Peloton Corporate has had regard to relevant Regulatory Guides issued by ASIC. It is not intended that the report should be used for any other purpose than to be sent to the Shareholders of BFC.

This report conforms to the requirements of APES 225 "Valuation Services".

Peloton Corporate consents to the issue of this report in the form and context in which it accompanies the Notice of Meeting to be sent to the shareholders of BFC.

Appendix 4 — Financial services guide

Peloton Corporate Pty Ltd ABN 15 633 105 558 ("Peloton Corporate" or "we" or "us" or "our" as appropriate) provides general advice in relation securities to retail clients as an authorised representative of Capital Value Securities Pty Ltd ABN 46 123 674 886 ("CVS" or "licensee") AFSL No 311705.

Financial Service Guide

In the above circumstances we are required to issue you, as a retail client, with a Financial Services Guide [FSG].

This FSG is designed to help retail clients make a decision as to their use of our general security advice.

This FSG includes information about:

1. Who we are and how we and the licensee can be contacted
2. The services we are authorised to provide under the licensee's Australian Financial Services Licence
3. Remuneration that we, the licensee and any associates receive in connection with our general advice
4. The licensee's complaints handling procedures and how you may access them.

The licensee has authorised this FSG.

Financial services we are authorised to provide

We hold Authorised Representative number 342572 authorising us to provide general security advice on behalf of the licensee.

General advice

We provide general advice, not personal advice because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing general advice. These fees will be agreed with, and paid by, the person who engages us. Fees will be agreed on either a fixed fee or time cost basis. Clients may request particulars within a reasonable time after receiving this Guide (and before any financial service is given).

Except for the fees referred to above, neither Peloton Corporate, CVS nor any of their directors, employees or related entities receive any pecuniary benefit or other benefit directly or indirectly for or in connection with the provision of financial product advice.

Referrals

We do not pay commissions or provide other benefits to any person for referring customers to CVS or us in connection with the advice that we are authorised to provide.

Associations and relationships

From time to time, we may provide professional services to financial product issuers in the ordinary course of our business.

Complaints resolution

Internal complaints resolution process

As a representative of an Australian Financial Services Licence holder, Peloton Corporate is required to have a system for handling complaints from retail clients to whom it and its representatives provide financial product advice. All complaints must be in writing, addressed to: The Complaints Officer, Peloton Corporate Pty Ltd, Level 40, 140 William St, Melbourne Vic 3000 or by email to sgeorgaras@peloton.group.

When Peloton Corporate receives a written complaint it will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practicable and not more than 45 days after receiving the written complaint, it will advise the complainant in writing of its determination.

Referral to External Dispute Resolution Proposed Acquisition

A complainant not satisfied with the outcome of the above process, or the licensee's determination, has the right to refer the matter to the Financial Ombudsman Service Ltd ["FOS"]. FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available from the FOS website www.fos.org.au or by contacting them directly at: Financial Ombudsman Service Ltd. GPO Box 3, Melbourne Victoria 3001 or Toll free 1300 78 08 08 or by facsimile (03) 9613 6399.

Appendix B – Illustrative examples

The below are illustrative examples only, and do not represent a forecast. They are provided as illustrative worked examples of the formula for calculating the Performance Fee as outlined in the IMA.

Based on high level illustrative assumptions of the future All Ords Index Total Shareholder Return and the Total Shareholder Return of Beston, Moelis have calculated that the following Performance Fees could be payable in the future:

Example 1:

All Ords Index Total Shareholder Return (TSR)	5.00%	<i>Illustrative assumption</i>
BFC Share Price	\$0.13 per share	<i>Illustrative assumption</i>
BFC TSR	97.0%	<i>Based on share price of \$0.066 per share as at 1 January 2021. Share price growth used as a proxy for total shareholder returns (assumes no dividends)</i>
BFC TSR outperformance	92.0%	<i>Calculated as BFC TSR – All Ords Index TSR</i>
Implied Market Cap	\$109.5m	<i>Based on 842.7m shares outstanding as at 12 February 2021 at an illustrative share price of \$0.13 per share</i>
(x) 17.5%	\$19.2m	<i>Performance Fee formula</i>
(x) BFC TSR outperformance	92.0%	<i>Performance Fee formula</i>
Gross Performance Fee Payable	\$17.6m	<i>Before clawback from accrued periods of negative outperformance</i>
Estimated Clawback	(\$20.1m)	<i>Estimated clawback figure to Dec-20</i>
Net Performance Fee Payable	(\$2.4m)	<i>Illustrative example where no future Performance Fee is payable post clawback</i>

Example 2:

All Ords Index Total Shareholder Return (TSR)	20.00%	<i>Illustrative assumption</i>
BFC Share Price	\$0.18 per share	<i>Illustrative assumption</i>
BFC TSR	172.7%	<i>Based on share price of \$0.066 per share as at 1 January 2021. Share price growth used as a proxy for total shareholder returns (assumes no dividends)</i>
BFC TSR outperformance	152.7%	<i>Calculated as BFC TSR – All Ords Index TSR</i>
Implied Market Cap	\$151.7m	<i>Based on 842.7m shares outstanding as at 12 February 2021 at an illustrative share price of \$0.18 per share</i>
(x) 17.5%	\$26.5m	<i>Performance Fee formula</i>
(x) BFC TSR outperformance	152.7%	<i>Performance Fee formula</i>
Gross Performance Fee Payable	\$40.5m	<i>Before clawback from accrued periods of negative outperformance</i>
Estimated Clawback	(\$20.1m)	<i>Estimated clawback figure to 31 Dec-20</i>
Net Performance Fee Payable	\$20.5m	<i>Illustrative example of potential future Performance Fee payable post clawback</i>

The estimates and illustrative examples prepared by Moelis for the Company are subject to a range of assumptions, sensitivities and other inputs which may or may not be correct and may be subject to change. The estimates and illustrative examples prepared by Moelis for the Company should not be taken as the provision of investment advice or any recommendation by Moelis. Shareholders should conduct their own assessments and consult appropriate independent professional advisers before making any decision relating to the resolution proposed in this notice. Moelis has no intention of updating or revising the estimates and illustrative examples regardless of whether new information, future events or any other factors affect the information contained in this notice.

LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
Beston Global Food Company Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474

**X99999999999****PROXY FORM**

I/We being a member(s) of Beston Global Food Company Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **10:30am (Adelaide time) on Friday, 28 May 2021 at the offices of Mellor Olsson, Level 6, 89 Pirie St, Adelaide, SA 5000 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

Resolutions

For Against Abstain*

1 Termination of the Investment Management Agreement

STEP 2

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

STEP 3**BFC PRX2102A**

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEM OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the item of business, your proxy may vote as he or she chooses. If you mark more than one box on the item your vote will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am (Adelaide time) on Wednesday 26 May 2021**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MAIL

Beston Global Food Company Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**