



Information Memorandum

Commercial in Confidence
January 2022

Barrel Rejuvenation Services Pty Ltd
ACN 637 600 572

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Executive Summary

RenewOak is an Australian private company that has commercialised a patented technology for oak barrel cleaning in the Australian wine and spirit sector. The simple but effective technology essentially doubles the useful life of a wine barrel from 5 to 10 years, which provides significant economic and sustainability benefits for wineries and distilleries.

Less than 12 months after commercial launch, despite the impacts of COVID, the business has more than 60 winery customers in SA and a significant distillery in Victoria. ***The RenewOak process is widely accepted in the SA wine sector and likely to become the default heavy cleaning technique for oak wine barrels due to economic and functional benefits compared to alternatives.***

The business is now poised for full expansion into the Australian wine and spirit sector. There are significantly larger opportunities in international wine markets (e.g. Napa valley) and spirits industry (UK, whisky). Entry points for these markets have already been identified and discussions are underway.

To justify a future IPO or potential trade sale, RenewOak needs to continue expansion in Australia and gain a foothold in a strategically important international market (e.g. Napa Valley for wine, or Scotland for distilleries).

Investor Offer: RenewOak seeks equity investment from independent or aligned investment partners to fund its local and international growth strategies:

- Minimum \$1m and up to \$1.5m funding for which it will provide pro-rata (ordinary shares) to incoming investors at a \$5m pre-money valuation
- Directorship offered to any one investor holding 10% or more equity post Completion subject to appropriate qualifications
- Should the business achieve planned penetration into the ANZ market and establish licensed distributors in US and EU markets, then there is the potential for significant uplift in company value within 2-3 years
- Future exit possibilities:
 - Trade sale to international player in a synergistic business
 - IPO based upon international market expansion potential post initial entry into US or EU markets

| | Australia | | International | |
|--|---|---|--|---|
| | 2021 Outcomes | 2022 Strategy | 2021 Outcomes | 2022 Strategy |
| Wineries & Distilleries | Wine and whisky trials Built initial customer base | Expansion based upon mobile services, and arrangements with large wine groups | Initial discussions with large wineries / spirit groups | Trials to validate value proposition |
| Service Suppliers / Cooperages / Barrel Brokers | Trials / NDAs / Preliminary commercial discussion | Contract arrangements with cooperages to support the used barrel market | NDAs / Initial discussions with UK cooperages / US service providers | Structure service delivery licensing or JV arrangements |



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Attachment A: Financial Projections

Attachment B: Business Development Status



Who are we?

- **Barrel Rejuvenation Services Pty Ltd** (ABN 87 637 600 572), trading as **RenewOak**, is an Australian private company established in November 2019 to commercialise a novel Australian developed process technology for extending the useful life of oak wine barrels
- ***The process is capable of rejuvenating barrels up to 10-years-old back to the equivalent performance of a 1-year-old barrel***
- After 2 years of technical development, the company began offering barrel cleaning services into the Australian wine sector in 2021
- Despite COVID, the business has established a strong customers base in SA and is now looking to expand its reach over the rest of the Australian wine market and to launch internationally
- This document provides an introduction to the business, its technology, markets and global opportunity
- See Attachments for:
 - Financial Projections
 - Business Development Status



Context: Oak wine barrels have a useful life of 4-8 years

During maturation, oak barrels are used to enhance the flavour, colour, tannin profile and texture of the wine or spirit. However, barrels build up surface impurities (e.g. tartrates) and lose their signature flavor compounds with use.

Wineries clean the barrel when emptied (every 12-18 months) using high pressure hot water and steaming. However, this does not fully eliminate all contaminants. After an average 4 fills (4-7 years), the contaminant build-up on internal surfaces prevents the oak from impacting the wine. Older barrels may have detrimental impact on wine quality through dankness or bacterial issues (e.g. Brettanomyces).

The current practice is that barrels are disposed of and replaced after 4-8 years.

Premium wine requires high quality French (A\$1500+/barrel) or American (\$1,000+/barrel) oak barrels. Winemakers select an appropriate barrel type, oak type and quality to achieve a desired style of wine. Barrels are imported from France or America or purchased from local cooperages that fabricate barrels from imported timber

It has been estimated that the use of barrels adds ~\$1.50 in cost of the production of a single bottle. As a result, barrels are only used in premium wine production (typically > A\$25/bottle at retail). A medium sized premium winery (say 750 tonne crush) may spend \$300k+ p.a. on new oak barrels²

Barrel depreciate rapidly: Pricing varies from new (\$1,500-2,000), to 4-5 years (\$100-200), to 8+ years (\$50)

The high cost of new barrels has driven alternative methods to minimise cost:

- “Plank in tank”: Using oak chips or planks in non-oak tanks: This technique is used by many wineries but is not preferred for quality winemaking
- Barrel rejuvenation: Head removal or full barrel dismantling, scouring or shaving and re-assembly



Our Solution: Rejuvenate 5+ year old barrels

Developed over the last 3 years in the Margaret River and Mornington Peninsula wine districts, the patent protected RenewOak process has been tailored to the needs of wineries that rely on oak for quality wine production

Our process utilises bespoke and inert abrasive materials to “sand” all the internal surface of the staves and head without dismantling the barrel or compromising structural integrity

The process removes all barrel residues, such as tartrates, and a fine layer of the oak surface (0.5 to 1 mm), leaving a clean, smooth timber finish ready to impart desired properties to the wine

The process is completely “organic” and does not involve the use of chemicals. All materials involved are chemically inert and no harmful residues remain in the barrel

Our process is suitable for used red or white barrels up to 12 years old that have been kept in reasonable condition (i.e. structurally sound, well hydrated) and the following barrel sizes: barrique, hogshead and puncheon.

The process is:

- **Simple and safe:** Low skill labour required to operate equipment / achieve quality outcome
- **Economic:** Is automated to minimise labour costs and utilises low-cost materials
- **Scalable:** Can be expanded in a modular approach
- **Mobile:** Can be delivered at the winery or distillery with minimum disruption



Add slurry (inert abrasive + water)
via bung hole

Rotate barrel horizontally and
tilted for total 20-45 min

Washout slurry and residues via
hot water high pressure wash



Process Outcomes

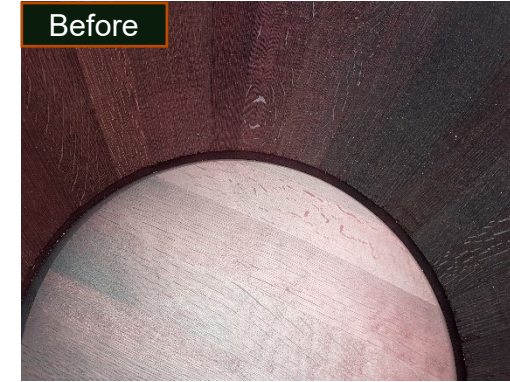
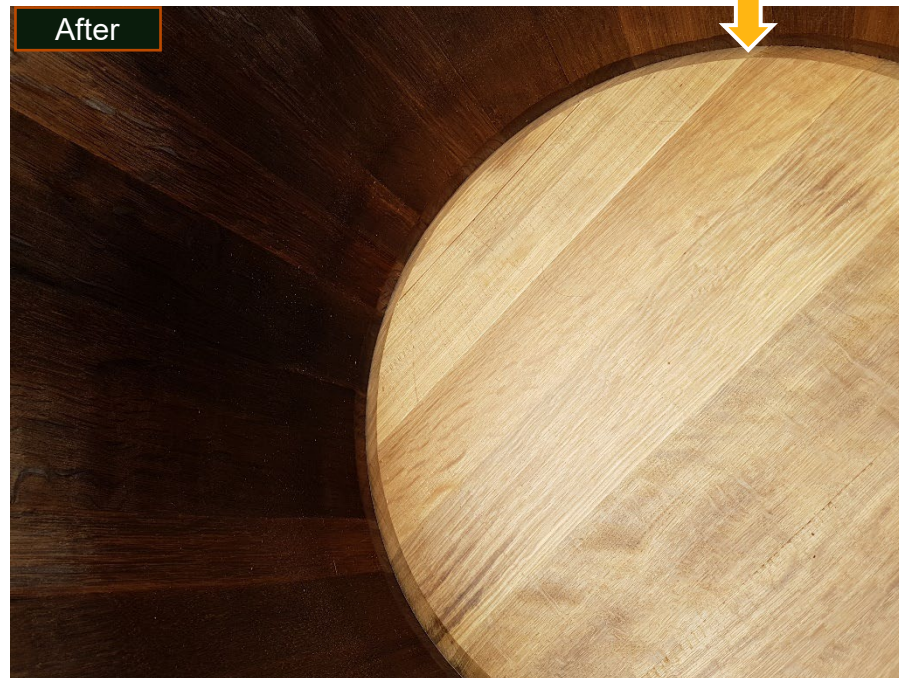
The process removes all barrel residues, such as tartrates, and a fine layer of the oak surface (0.5 to 1 mm), leaving a clean, smooth timber finish ready to impart desired properties to the wine



2015 D&J White Barrique

← Before cleaning showing tartrate layer evident on staves and head

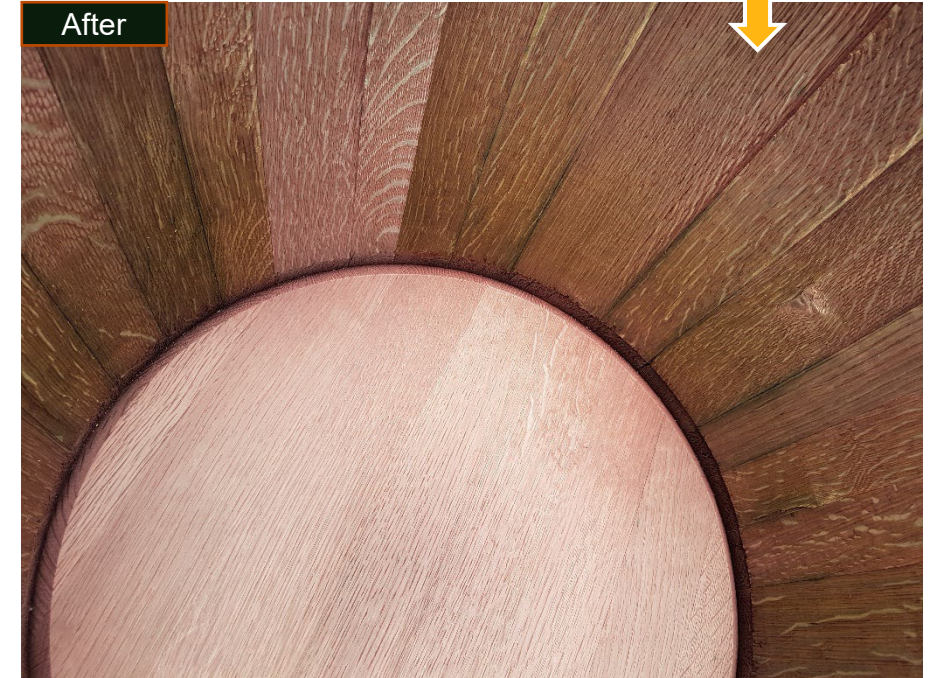
After Cleaning



2006 AP John red Barrique

← Before cleaning in good condition with heavy staining

After Cleaning



Results from trials undertaken July 2020 at Massoni Wines, Dromana, Victoria

Economic Value Proposition

On average, RenewOak charges A\$100-120 per barrel cleaned

Total direct costs* to RenewOak estimated to be 34% of sales with the largest component being operator labour.

Profit after equipment depreciation is ~60% of sales

For the winery, a 5-10 year old barrel (value \$50-200) is returned to an equivalent of a 1-year-old barrel (value \$500-1000), for a service price of \$100

End result is a “Win-win”:

- The winery substantially reduces its costs with positive impact on wine quality
- RenewOak makes a healthy profit

*Note: Excluding corporate overheads and other costs not directly related to production

| | Per barrel | |
|---------------------|-----------------|-------------|
| Income | \$100.00 | 100% |
| Expenses | | |
| Labour | \$19.20 | 19% |
| Materials | \$4.50 | 5% |
| Water | \$0.21 | 0% |
| Power | \$0.60 | 1% |
| Vehicles | \$5.03 | 5% |
| Equipment | \$4.65 | 5% |
| | \$34.19 | 34% |
| | | |
| Gross Profit | \$65.81 | 66% |
| Equip. Depreciation | \$5.21 | 5% |
| EBIT | \$60.60 | 61% |

Value Proposition / Competition

Compared to traditional barrel cleaning / rejuvenation techniques, RenewOak has significant advantages

- Winery in-house methods (pressure wash) do not eliminate all surface deposits
- Cooperage provided services (re-shave) are costly and require the barrel to be absent from the winery for extended periods

| | Pressure wash / Steaming | | Dismantle / scour or shave / re-assemble | | RenewOak | |
|----------------------|--------------------------|---|--|--|----------|---|
| Barrel Life | x | 4-8 years | ✓ | Extended, but can only effectively be done once | ✓ | Can be undertaken on a regular basis to give > 10 year effective life |
| Barrel Functionality | ✓ x | Barrel performance greatly reduced after 3-4 fills | ✓ | Essentially results in a new barrel | ✓ | Restores barrel to perform like a 1-2 years old |
| Economics | ✓ x | Low barrel cost but heavy depreciation of barrel value | x | Labour intensive plus removal of barrel from inventory for extended period | ✓ | Cost effective / Process can be automated |
| Risk Management | x | Impurity build-up in older barrels creates risk of tainting | ✓ x | Generally OK but re-shaved barrels do have structural reliability issues | ✓ | All surfaces clean and sterile: Greatly reduces potential barrel volatility |
| Convenience | ✓ | Can be undertaken at the winery | x | Need to freight barrel to service provider, barrel may be away for > 1 month | ✓ | Can be undertaken at the winery over a day |
| Sustainability | x | Barrel discarded after 4-8 years | ✓ x | Single re-use of barrel | ✓ | Re-use of a valuable resource |

Benefits to Wineries & Distilleries



Economic: Substantially reducing oak/cooperage costs of barrel (by 30%+) without impacting wine quality



Risk management: Reducing the risk of contamination through use of older barrels. Improving the consistency of product quality outcomes.



Flexibility: Ability to better utilise barrel inventory



Quality: Better wine from existing assets. Lower cooperage costs means more wine can see barrel maturation with resulting marketing and price benefits



Sustainability: More sustainable use of a valuable natural resource

Market Validation: Existing Customers

Given the COVID related restrictions in Victoria during 2020 all operations were shifted to South Australia

For 2021, the focus was South Australian small to medium wineries

The following wineries are existing customers and/or currently undertaking wine trials

Expansion has been driven by an impressive list of SA winemakers have trialled the process and have been impressed with outcomes

As of December 2021, more than 60 wineries across SA and Victoria are in trials and/or have requested and received barrel cleaning services from RenewOak, with many of these repeat customers

| | | | |
|--------------------|--------------------|------------------------------|-------------------------|
| SA | Geddes Wines | O'Leary Walker, Clare Valley | Two Hands |
| Alpha Box & Dice | Geoff Merril Wines | Paulmara Estate | Watkins |
| Aphelion Wines | Gemtrees | Pernod Ricard | WD wines |
| Barossa Vintners | Gibson Wines | Petaluma | Wine Wise Consulting |
| Berg Herring Wines | GISA Wines | Peter Lehmann / Casella | Wirra Wirra |
| Bethany | Hewitson wines | Peter Simic | Yalumba |
| Bird in Hand | Herbert Vineyards | Purple Hands Wines | Vic |
| Bleasdale | Hollicks | Redheads | Brown Brothers Milawa |
| Bondar Wines | Jim Barry | Redman Wines | Rob Dolan Wines |
| Chapel Hill | Kalleske Wines | Revenir Winemaking | Wine by Sam |
| Curator | Laughing Jack | Riley's of Eden Valley | Yering Station Vineyard |
| d'Arenberg | Leconfield | Rusty Mutt | Medhurst Wines |
| Delisio Wines | Lloyd Brothers | Schild Estate | |
| Di Fabio | Lodestone | Schubert | |
| DiGiorgio | Lost Wolf Wines | Schwartz Wines | |
| DogRidge | Louy Miranda Wines | Seabrook Wines | |
| Dorrien Estate | Main & Cherry | Serafino | |
| Elderton | Maslin Beach Wines | Shaw and Smith | |
| First Drop Wines | Mazi Wines | Sidewood | |
| Fuse Wines | Montarra | Sons of Eden | |

Market Validation: Winemaker support

Over 2020 and 2021, RenewOak has undertaken successful wine trials using RenewOak rejuvenated barrels in over 20 wineries in Vic, SA and WA and across grape varieties, with favourable outcomes.

These trials have involved tasting wine from the RenewOak rejuvenated barrel and control barrel with the winemaker after 3, 6 and 9 month maturation.

Wines from the rejuvenated barrels have demonstrated improved brightness and freshness when compared to the control (an un-rejuvenated barrel of the same age) and oak influences comparable to that from a 1-year-old barrel



Wine maturation in seasoned oak is a vital part of the winemaking process. Having the confidence to put wine into an older barrel for upwards of 18 months depends on that barrel being sound and taint-free. Two years ago I trialled refurbishing a 5-year old barrel destined for decommissioning using Jon Blakeman's prototype technique. I have matured a 2018 Margaret River Cabernet Sauvignon in that barrel since (coming up to 18 months). I have found that wine to be fresh, bright and sound with a subtle contribution of oak tannin resulting in a wine that I will have no hesitation in including in the final blend for one of our Estate Cabernet blends. Having the ability to extend and improve the service life of our red barrel inventory will give me the opportunity to barrel mature more of my wine at a lower cost resulting in more interesting, textural wines with softer, more approachable tannin profiles.

Jeremy Hodgson
Winemaker
Fermoy Estate
Margaret River

Sustainability: Protect a dwindling resource

- Oak for wine barrels originates in Europe (notably France) and the USA
- Barrel-destined oak trees ideally grow in cool climates, which gives them a chance to mature slowly and develop a desirable tight grain
- ***Most oak trees are at least 80 years old before they are harvested, but typically 100 +, with a tree producing only 3-4 barrels***
- To supply the current Australian barrel replacement market would require the harvesting of an estimated 50,000 oak trees
- Global demand for Oak has led to shortages and escalating prices
- While forest / plantations have been well managed in France since WWII, there are ethical (environmental sustainability) issues associated with logs taken from Eastern European sources:
 - Poland, Russia and the Ukraine – have been linked with illegal logging and the destruction of ancient forests
 - Oak forests in Spain and Portugal are not managed sustainably
- Adoption of the barrel cleaning process will help reduce the pressure on un-managed oak forest resources, especially in Europe



A mature Oak tree and harvested logs

Global trends in oak supply should favour RenewOak.....

Decreasing availability of quality oak (a long term trend) has combined with COVID related increases in transport costs (short term?) to significantly inflate the cost of new oak barrels for most wine producing countries

This should drive an increasing focus on the rejuvenation of used barrels



Shrinking supply sends price of French oak barrels soaring

16 AUGUST 2021 By db_staff

A dwindling supply of French oak has seen the price of barrels soaring to around £1,100 a pop in Australia, which is also experiencing shipping delays for the prized vessels.

As if Australia's wine producers had not had enough to contend with over the past 18 months.

Their problems have included soaring temperatures and forest fires hitting the volume and quality of grape supply, coronavirus lockdowns in markets at home and abroad and the loss of their largest export market, China, because of Beijing's unilateral imposition of swingeing tariffs.

Now those at the top end of the market are facing a new headache, a growing shortage of prized French oak in which to mature their top cuveés. The coronavirus pandemic has severely disrupted the global supply chain.

That will not only affect Australia but also premier wineries from California to Chile where French oak is prized for its fine grains and softer tannins.

Shrinking supply has sent the price of the highly sought-after casks soaring to more than \$A2,000 (approaching £1,100) each, according to *The Australian*, which reports that the supply chain issues are a result of "lengthy delays out of Europe, storms that have destroyed oak trees and a lack of shipping containers."

Australian Grape and Wine chief executive Tony Battaglene said: "French oak is difficult to get and even more difficult to get on a boat, and the price of freight is really starting to cause problems. And when margins are tight it makes a big difference and there is a big concern – I don't know what we can do about it."

Overall, France is one of the most densely tree-covered countries in Europe, with more than 30% of its land covered. But over the past decade the volume of raw oak available to French sawmills for all purposes (not just cooperage) has halved to 1.25m cubic metres.

The government is keen to reduce supplies in all forms going outside the EU because timber conversion generates between 10 and 20 times as many jobs as raw timber exportation. So coopers from China to California are competing ever more intensely for restricted supplies.

Of course not all French exports are the cherished oak of the Tronçais, Limousin and Allier forests used by coopers, but they are under pressure and passing on their extra costs to wineries and distillers. And Paris has compounded the demand push for the raw material.

Last year, as part of the drive to become carbon neutral by 2050, the government passed a law requiring half of the materials used to construct public buildings to be wood or other natural substances.

Oak is the traditional material of choice and architects are complaining that its price has risen by 50% since the start of this year. In addition, they say that the timber shortage in France will only intensify due to a surge in projects ahead of the 2024 Summer Olympics in Paris.

As conservationists lobby landowners and foresters to become ever more aware of the potential climatic and environmental harm caused by over-felling, there is only one way for the price of prime oak supplied to coopers to go; upwards.

That has concerned investors. For instance, Treasury Wine Estates, where margins are already tight following this year's China-enforced reorganisation of its business strategy, has seen its shares fall by about 10% in a week.

Fine wine enthusiasts the world over will face higher prices for future vintages as the cost of oak continues to rise.

IP Protection

Patent protection of a novel process for cleaning a barrel

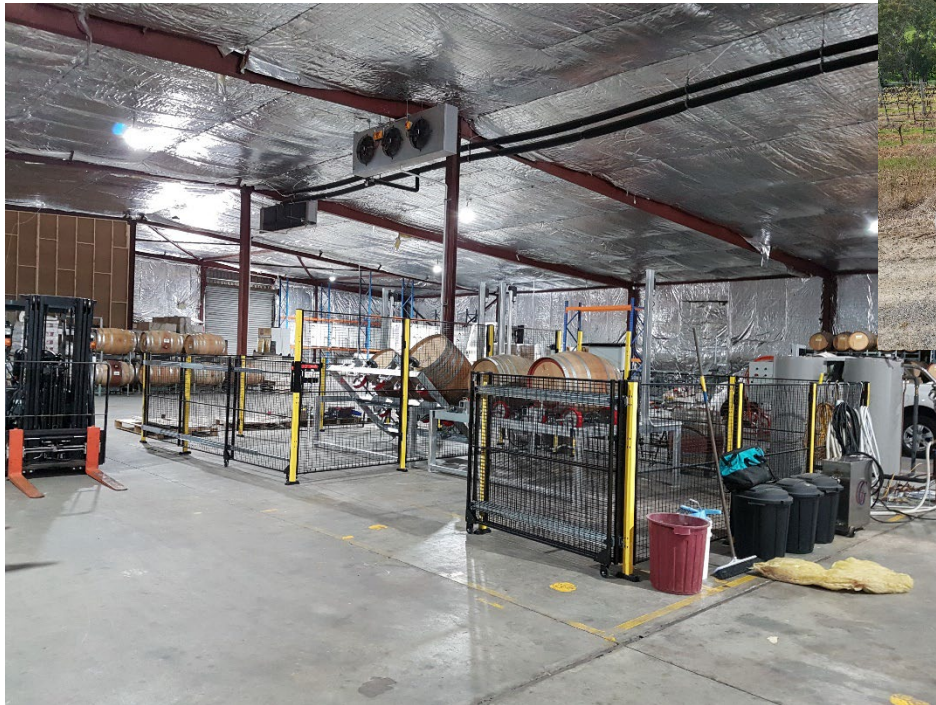
- A prior-art search in 2016 indicated freedom to operate. The nearest intellectual property (IP) was chemical cleaning of vessels in other industry sectors. There are patents around equipment used for steam cleaning but these do not overlap with the RenewOak process.
- A patent application was prepared and lodged (15 August 2016). “METHOD OF IN-SITU SANDING OF INTERNAL SURFACES OF A BARREL AND APPARATUS FOR PERFORMING SAME”
- The Australian patent has been granted (March 2021) for the wine barrel cleaning process (AU 2018274885) in the name of Jon Blakeman
- RenewOak has exclusive global rights to the technology based upon a licence agreement with royalties at 5% of gross profit
- A second patent based upon the revised and automated process designed during 2020 and 2021 (external clamping mechanism) was prepared and lodged in November 2021 (App’n No. 2018274885)
- This second patent will form the basis of further international protection via the PCT process



Operational Capability and Capacity

Current production site in Adelaide Hills, South Australia

- 3 stationary machines processing barriques, hogsheads and puncheons
- Total capacity of ~10,000 barrels p.a. on a single shift basis
- 300m² leased within a larger facility
- Intention is to move to larger (600-1000 m²) Barossa site during 2022 – site options have been identified



Mobile Device, 2022 launch

- Able to process 4 barrels simultaneously, annual capacity ~10,000 p.a. on a single shift basis
- Designed and fabricated in 2021, expected commercial launch in Q1 2022
- Intention is to have 1 unit servicing each Australian State

Mobile Service Delivery

Provides cleaning services at the winery, eliminating barrel freight logistics and costs

The mobile plant is situated in an appropriate location at the winery, on a concrete plinth or similar

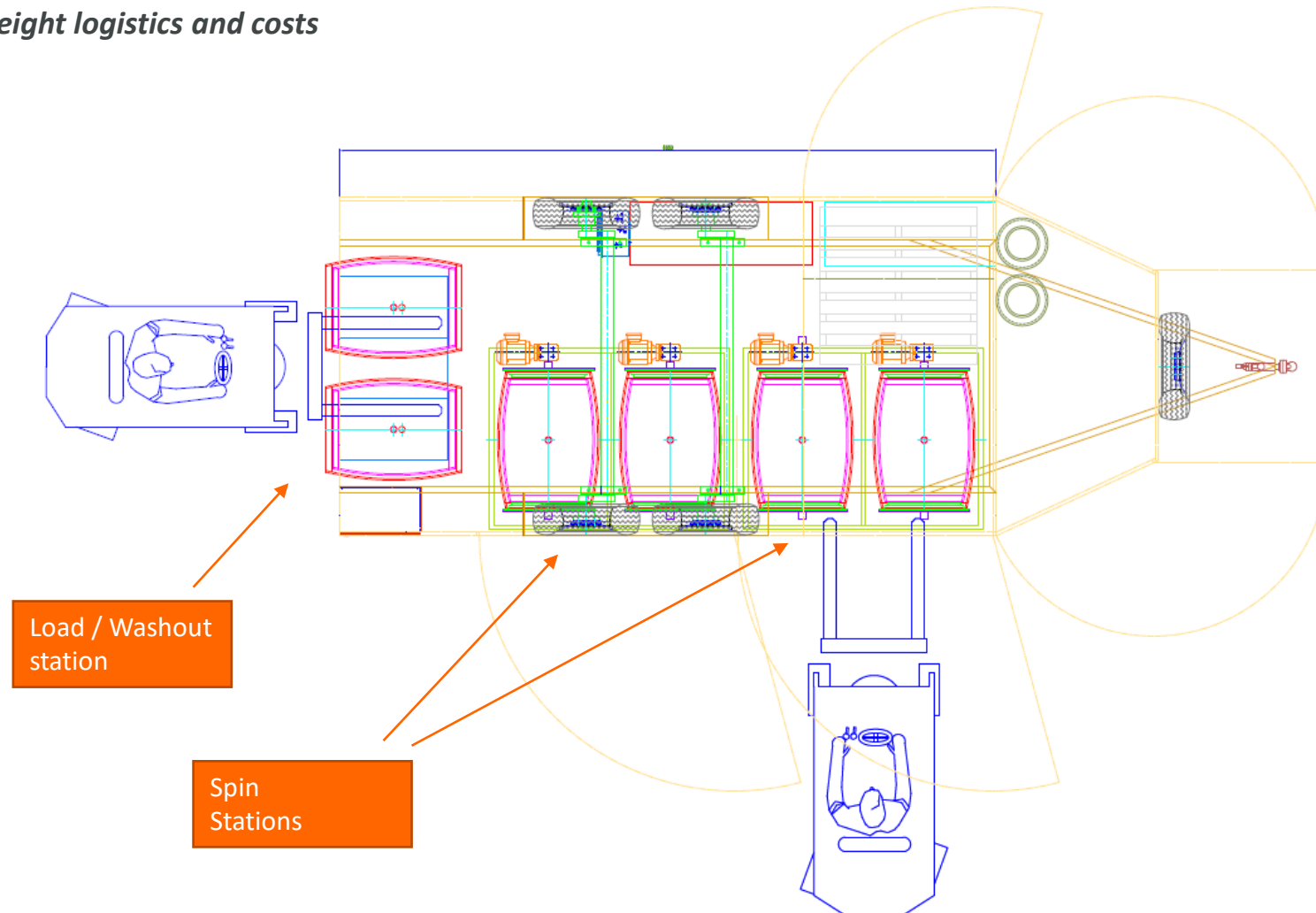
Labour: 1-2 operators required depending on contribution from winery staff

Materials handling: Forklift is used to deliver 2 barrels on a barrel rack to each station on the machine

Semi automated process:

- Operator required to load barrels and facilitate slurry load from overhead hoppers at Load Station
- Operator then transfers barrels on rack via forklift to spin station
- Post spin, operator transfers barrels back to washout station and facilitates high pressure wash

OH&S: Safeguards ensure equipment will not operate until operators are safely out of the way



Barrel Supply Chain

RenewOak has a range of opportunities within the barrel supply chain

All premium wine producing wineries buy new barrels from French or American suppliers (via agents) or from local cooperages

Finance companies sit alongside barrel sellers to enable financing of larger barrel deals

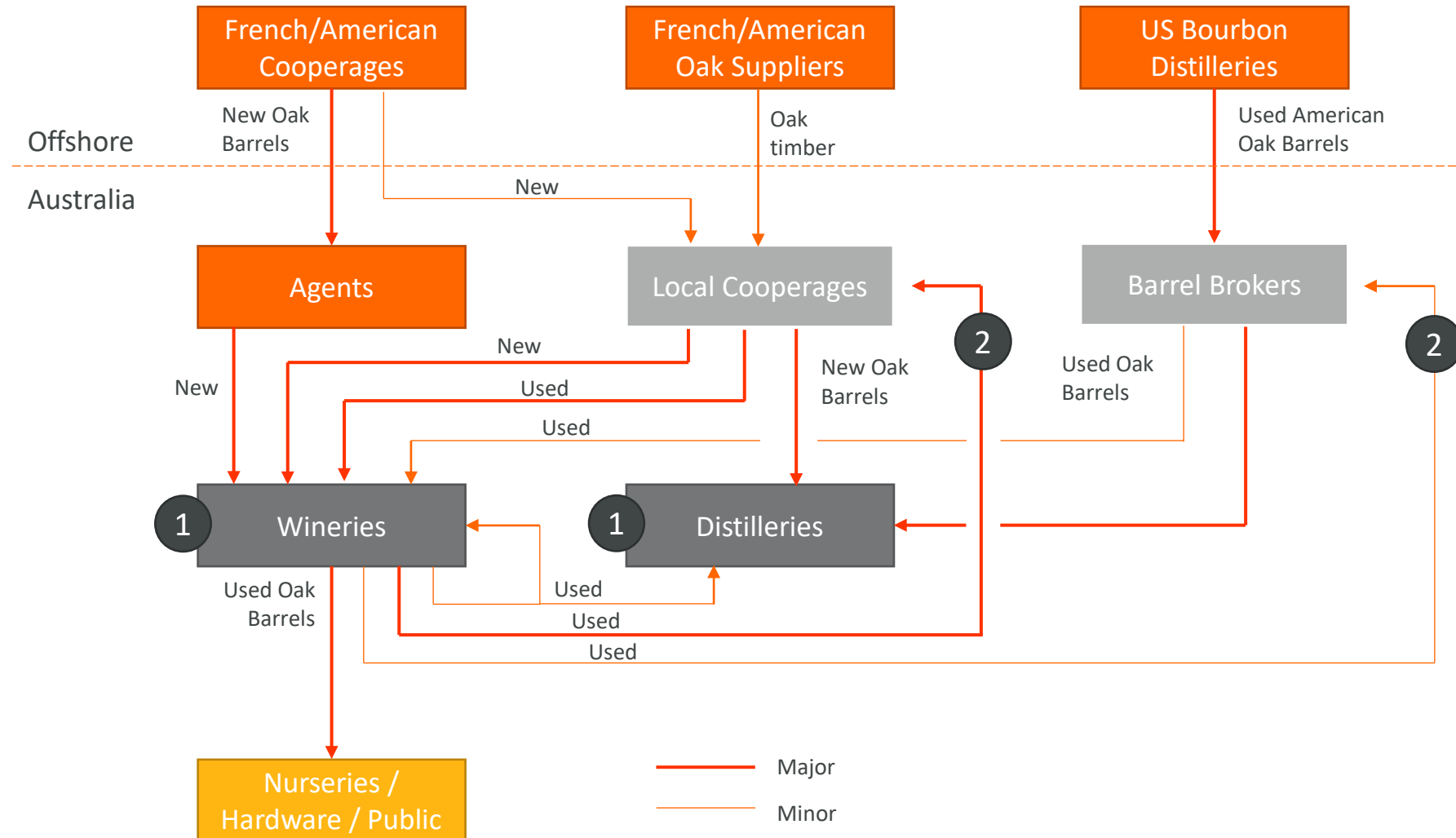
Large premium wineries will dispose of their ~5 year old barrels to the cooperage that sold the barrel (as per contract) or a broker, or directly to other wineries

Older barrels are typically “pot plants”, i.e. sold to nurseries or the public

Smaller wineries will buy quality used barrels (typically < 5 years old) from brokers, cooperages and other wineries

RenewOak provides value:

- To the winery or distillery (extending the barrel useful life), and,**
- To cooperages and brokers (improving the value of a used barrel)**



Business models

RenewOak is a service provider, not a seller of equipment

RenewOak provides barrel cleaning / rejuvenation as a service to wineries and distilleries. Up to Dec 21, this has been via barrel transport to/from central facilities in the Adelaide hills. A mobile plant has been designed and fabricated during 2021 which will come into service during Q1 2022. This will deliver the service at the winery and eliminate freight costs.

The company has deliberately excluded equipment sales as the preferred commercial business model.

While the design of equipment is controlled internally, the business outsources equipment detailed design and fabrication. This model provides the basis of profitable on-going revenue streams. The expectation is that this same business model will be utilised in international markets.

A further tactic for 2022 will be to buy older barrels (5-10 year old), clean and sell back into the market as an equivalent 1 year old barrel. This offers significant up-side for 2022.

To accelerate access into international markets, RenewOak would prefer to partner with an existing (and synergistic) service provider to the wine or spirit sector, either under a licence or joint venture arrangement

| Business Model | Pro's | Con's | Comments | |
|-------------------------|---|--|----------|--|
| Sell equipment | <ul style="list-style-type: none"> Leverage the IP Up-front income, good margin | <ul style="list-style-type: none"> One-off revenue Difficult to drive long term benefit into price | ✘ | <ul style="list-style-type: none"> Not an attractive option |
| Provide a service | <ul style="list-style-type: none"> On-going revenue stream | <ul style="list-style-type: none"> Barrel transport costs | ✓ | <ul style="list-style-type: none"> Basis of majority of current income Mobile plant to eliminate freight costs |
| Buy & sell used barrels | <ul style="list-style-type: none"> Good margin opportunity | <ul style="list-style-type: none"> Holding inventory ready for sale | ✓ | <ul style="list-style-type: none"> Significant future potential |

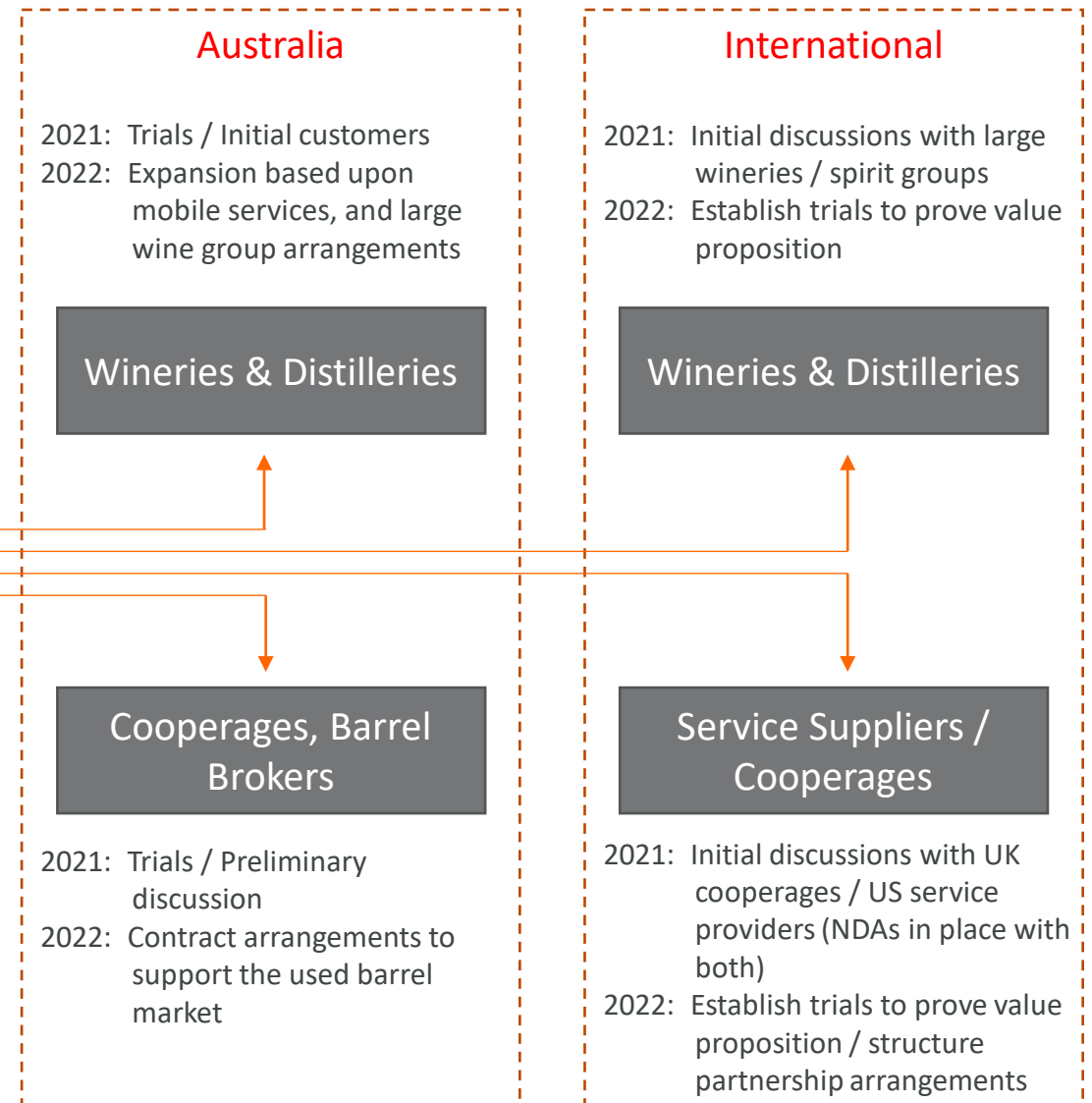
2022 Strategy

Expand locally and internationally

2021 has seen RenewOak establish a customer base in South Australia and Victoria

For 2022, the business intends to:

- Organically expand local sales to wineries and distilleries assisted heavily by the introduction of the mobile service equipment
- Create arrangements with existing cooperages and brokers in the second hand barrel market to improve the quality and margins on used barrel sales
- Develop the international market with a focus on:
 - Trials with large international distillers and cooperages
 - Discussions and trials with potential partners / customers in the US - Napa Valley focus



Market Potential: Australia: Barrel Cleaning

It is estimated that there are more than a million barrels in use in the Australian wine sector at any time

- RenewOak estimates that 10-15% of these barrels form the annual addressable “barrel cleaning” service market: 160,000+ barrels or A\$20m at average \$125 per barrel
- Including NZ, the addressable “barrel cleaning” market is estimated at around A\$22.5m

The second hand barrel market is additional to this estimate and is estimated at more than A\$10-15m sales value annually. This market represents potential for RenewOak but may decrease in scale as the use of the RenewOak cleaning process becomes more widespread.

| Region | | Crush | % of Crush that goes to Barrel | Estimated Barrels in Use | Potential Addressable Market | |
|-------------|-------------------------------|------------------|--------------------------------|--------------------------|------------------------------|-------------------|
| | | Tonnes | % | Barrels | Barrels | A\$ |
| Australia | Murray Darling – Swan Hill | 405,639 | 5% | 54,761 | 8,214 | 1,026,773 |
| | New South Wales (excl. MD-SH) | 371,359 | 13% | 123,839 | 18,576 | 2,321,975 |
| | South Australia | 889,729 | 31% | 700,801 | 105,120 | 13,140,014 |
| | Tasmania | 13,742 | 70% | 25,971 | 3,896 | 486,966 |
| | Victoria (excl. MD-SH) | 81,514 | 65% | 137,106 | 20,566 | 2,570,733 |
| | Western Australia | 37,020 | 59% | 56,330 | 8,449 | 1,056,180 |
| | Total | | 1,800,000 | 24% | 1,100,155 | 165,023 |
| New Zealand | | 441,640 | 9% | 124,488 | 15,561 | 1,945,120 |
| ANZ | | 2,241,640 | 20% | 1,224,642 | 180,584 | 22,573,020 |

Data Source: Base crush volumes: Wine Australia
Analysis: RenewOak estimates

Market Potential: Global Wine Sector

Barrel longevity is a global issue for the Wine Industry

- Australia represents ~4% of global wine production
- Assuming the Australian wine market has an addressable market of A\$20m for RenewOak, extrapolation gives a global addressable barrel servicing market of more than A\$500m, which would not include the 2nd hand barre market
- While the Australian market is geographically disparate, international markets offer the advantage of winery concentration in contained areas (e.g. US – Napa Valley)
- A market focus on selected regions could provide relatively rapid adoption when compared with the Aust/NZ market
- Success in the Australian market with large players such as Treasury and Pernod Ricard opens up opportunities for entry into the US and French markets



Market Potential – Global Spirits Sector

The scale of the spirits industry (number of barrels in use) dwarfs the wine sector

Context

- Spirit producers use new oak barrels for spirit maturation – In some jurisdictions, a new barrel is mandated by law. E.g. Bourbon production in the USA
- UK whisky producers barrels (Diageo, Pernod + many independent) utilise ex-bourbon casks for whisky maturation (90%) and some ex-wine and fortified barrels for finishing
- Barrels are currently rejuvenated using automated processes
- Trials with Starward in Melbourne have indicated that RenewOak can refresh existing ex-wine barrels to give better and more consistent performance than alternate methods
- The full value proposition of the RenewOak process to the spirit sector is a work-in-progress

Opportunities

- RenewOak is exploring the following offerings:
 1. Clean and prepare used barrels for purchase by distillery
 2. Clean barrels currently being used by distillery

2022 focus: Prospects

- Locally: Starward and other larger distilleries
- International: Diageo, Pernod Ricard, William Grant
- Coopers: Discussions commenced with UK based cooper re the RenewOak process as a an alternative to current methods for rejuvenation of barrels

From: [Facts & Figures \(scotch-whisky.org.uk\)](https://scotch-whisky.org.uk)

Facts & Figures

- To be called Scotch Whisky, the spirit must mature in oak casks in Scotland for at least **3** years
- There are currently **134** operating Scotch Whisky distilleries across Scotland
- **40** bottles (70cl @40% ABV) of Scotch Whisky are shipped from Scotland to **180** markets around the world each second, totalling over **1.1bn** every year
- Scotch Whisky exports are worth **£3.8bn** ([down from £4.9bn in 2019](#))
- In 2021, Scotch Whisky accounted for **75%** of Scottish food and drink exports, **21%** of all UK food and drink exports, and **1.4%** of all UK goods exports
- The Scotch Whisky industry provides **£5.5bn** in gross value added (GVA) to the UK economy
- More than **11,000** people are directly employed in the Scotch Whisky industry in Scotland and over **42,000** jobs across the UK are supported by the industry
- **Some 22 million casks lie maturing in warehouses in Scotland**



Strategic Position / 2022 Focus / Use of Funds

Activities undertaken during 2021 have indicated:

- The RenewOak process is now widely accepted in the SA wine sector and likely to become the default heavy cleaning technique for oak wine barrels due to economic and functional benefits compared to alternatives
- There is potentially a larger opportunity within the international spirits industry which is currently being explored
- While the local and international opportunity is significant, RenewOak seeks further funds to enable the business to aggressively address these markets
- To justify an IPO or a potential trade sale, RenewOak needs to continue expansion in Australia and gain a foothold in a strategically important international market (e.g. Napa Valley for wine, or Scotland for distilleries)

Activities for 2022 will focus on:

- A. Continued organic expansion of the Australian wine sector, expansion into Vic, NSW and then NZ
- B. Partnerships with existing parties that contribute to the Australian used barrel market
- C. Development of strategic partnerships to enter the US wine sector
- D. Investigation and potential development of a value proposition within the international spirits industry

Need & Use of Funds

Equity funding of up to \$1.5 million is sought to fund the capital and working capital required for key growth initiatives locally and internationally

Key use of funds:

- **Australia / NZ**
 - Relocation to larger premises in SA to enable growth
 - Create Victorian bases of operations
 - Add processing capacity (central and mobile) to match demand
 - Expand sales and operational team
 - Pre-IPO activity: Systems / Audit / Board
 - Marketing: Events and on-going communications
- **International**
 - US market exploration / trials
 - Barrel trials in the UK spirits industry

Investment Proposal

Funding Request

- RenewOak is seeking up to A\$1.5m funding for which it will provide total 23% equity pro-rata (ordinary shares) to incoming investors, i.e. A\$5m pre-money valuation
- Minimum preferred investment parcel \$100k
- Minimum fund raising of \$1 million to proceed, maximum \$1.5m
- Opening date 1 January 2022, closing date 30 April 2022
- Directorship offered to any one investor holding 10% or more equity post Completion subject to appropriate qualifications
- Investment term sheet available upon request

Potential Returns to Investors

- See Attachment A for projected performance of the business and detailed financial projections
- Should the business achieve planned penetration into the ANZ market and establish licenced distributors in US and EU markets, there is the potential for significant uplift in company value within 2-3 years
- Dividend streams possible from 2025 onwards
- Future exit possibilities:
 - Trade sale to international player in synergistic business
 - IPO based upon international market expansion potential post initial entry into US or EU markets



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Supporting Material

Attachment A: Financial Projections

Commercial in Confidence

January 2022



Volume Forecast

Business performance estimates are based upon:

- Progressive expansion into target Australia and New Zealand wine regions via the addition of mobile devices. Estimated penetration of addressable market in ANZ in 2027 is 16%
- International expansion via the addition of Licensees in the US (2023) and EU (2024)

The table (right) provides an estimate of potential volumes (in barrels cleaned) in those markets

| | | | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---------------------------------------|--------------|----------------|------------|--------------|---------------|---------------|---------------|---------------|----------------|
| Service Volume (Barrels) | | | | | | | | | |
| Small to Medium Wineries | | | | | | | | | |
| Addressable | VIC | 34,276 | - | 400 | 3,600 | 4,000 | 5,200 | 6,500 | 7,800 |
| | SA | 212,228 | 666 | 2,467 | 5,700 | 7,400 | 9,620 | 12,025 | 14,430 |
| | NSW | 30,960 | - | - | 750 | 4,000 | 5,200 | 6,500 | 7,800 |
| | WA | 14,082 | - | - | - | - | - | - | - |
| | TAS | 6,493 | - | - | - | - | - | - | - |
| | MD-SH | 27,381 | | | | | - | - | - |
| | NZ | 41,610 | - | - | 750 | 4,000 | 5,200 | 6,500 | 7,800 |
| | Total | 367,367 | 666 | 2,867 | 10,800 | 19,400 | 25,220 | 31,525 | 37,830 |
| Growth | | | | 330% | 277% | 80% | 30% | 25% | 20% |
| Cooperages | | | - | 1,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| Winery Groups | | | - | 700 | 4,200 | 6,600 | 8,580 | 10,725 | 12,870 |
| Distilleries | | | - | 380 | 1,200 | 1,800 | 2,340 | 2,925 | 3,510 |
| Australia / NZ | | | 666 | 4,947 | 22,200 | 33,800 | 42,140 | 51,175 | 60,210 |
| Addressable Market Penetration | | | 0% | 1% | 6% | 9% | 11% | 14% | 16% |
| Offshore Licensees | | | | | | | | | |
| US License | | | | | 5,000 | 10,000 | 20,000 | 30,000 | 40,000 |
| EU License | | | | | | 10,000 | 20,000 | 40,000 | 60,000 |
| Total International | | | - | - | 5,000 | 20,000 | 40,000 | 70,000 | 100,000 |

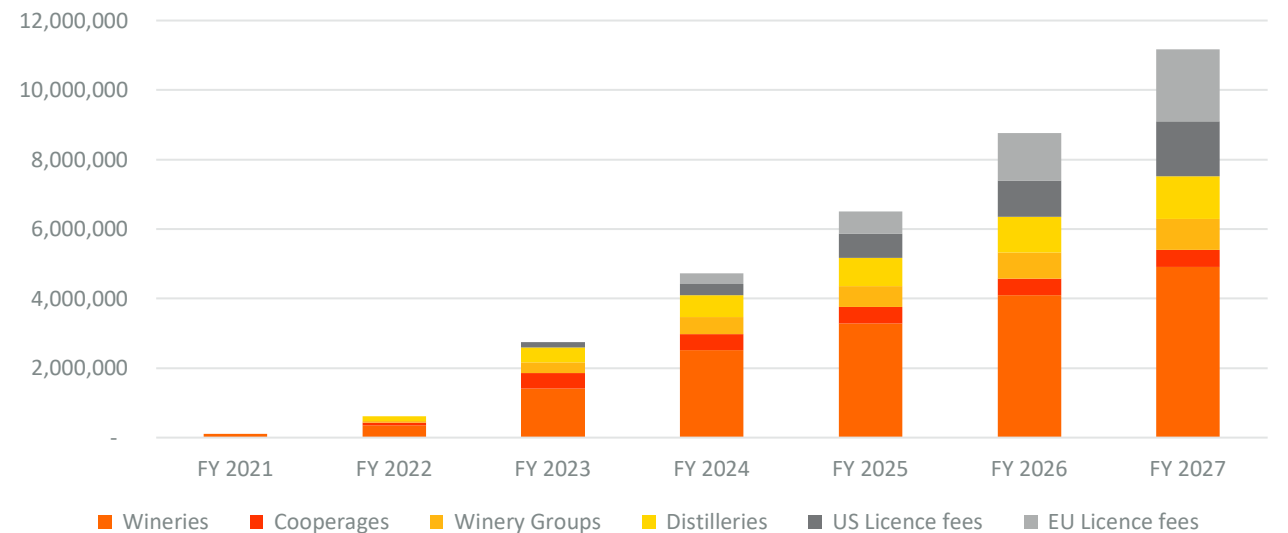
Revenue Projections

Based on volume projections and anticipated pricing, RenewOak sales income in ANZ will be \$7.5m by 2027

License fees from international licensees will add a further \$2.5m in 2027, giving total revenue in that year of \$11m

| | | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|------------------------|-----------------|----------------|----------------|------------------|------------------|------------------|------------------|-------------------|
| Income (A\$) | Average Pricing | | | | | | | |
| Wineries | 130 | 103,615 | 354,787 | 1,404,000 | 2,522,000 | 3,278,600 | 4,098,250 | 4,917,900 |
| Cooperages | 80 | - | 75,000 | 450,000 | 450,000 | 480,000 | 480,000 | 480,000 |
| Winery Groups | 70 | - | 52,500 | 315,000 | 495,000 | 600,600 | 750,750 | 900,900 |
| Distilleries | 350 | - | 133,000 | 420,000 | 630,000 | 819,000 | 1,023,750 | 1,228,500 |
| Total | | 103,615 | 615,287 | 2,589,000 | 4,097,000 | 5,178,200 | 6,352,750 | 7,527,300 |
| US Licence fees | | | - | 156,234 | 317,001 | 688,900 | 1,036,608 | 1,575,182 |
| EU Licence fees | | | | - | 312,468 | 634,002 | 1,377,800 | 2,073,216 |
| Total Revenue | | 103,615 | 615,287 | 2,745,234 | 4,726,470 | 6,501,103 | 8,767,159 | 11,175,698 |

Projected Trading Sales



CAPEX Estimates

Capital expenditure will be focussed on supplying the local business and licensees with the capacity to meet projected demand

Each new 4 barrel mobile device will cost ~A\$400k

To meet Australian and international demand, 2 to 3 devices will be added each year from 2023 onwards, at an annual cost of ~A\$800k to \$1.2m

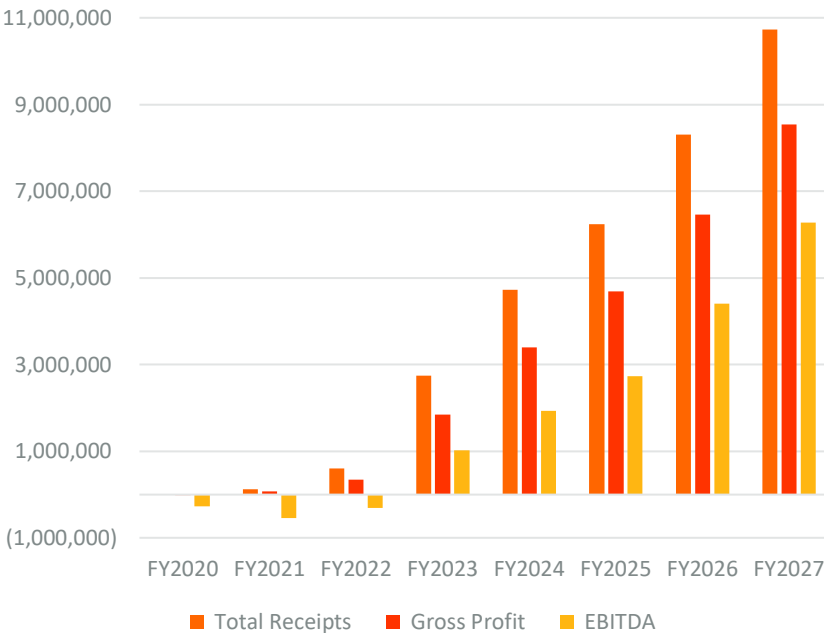
| | | | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---------------------------------|--------------|------------------|----------------|----------|----------------|------------------|------------------|------------------|------------------|
| Machines Required | | | | | | | | | |
| | | Capacity / month | | | | | | | |
| Mobile | VIC | 1000 | - | - | 1 | 1 | 1 | 1 | 1 |
| | SA | 1000 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| | NSW | 1000 | - | - | - | 1 | 1 | 1 | 1 |
| | NZ | 1000 | - | - | - | 1 | 1 | 1 | 1 |
| | Total | | 1 | 1 | 2 | 5 | 5 | 5 | 5 |
| | New | | 1 | - | 1 | 3 | - | - | - |
| Lincensees | US | | - | - | 1 | 1 | 2 | 3 | 4 |
| | EU | | - | - | - | 1 | 2 | 4 | 6 |
| | Total | | - | - | 1 | 2 | 4 | 7 | 10 |
| | New | | - | - | 1 | 1 | 2 | 3 | 3 |
| Total New Mobile Devices | Australia | | 1 | - | 1 | 2 | 1 | - | - |
| | US | | - | - | 1 | - | 1 | 1 | 1 |
| | EU | | - | - | - | 1 | 1 | 2 | 2 |
| | Total | | 1 | - | 2 | 3 | 3 | 3 | 3 |
| Investment Equipment | Australia | \$400,000 | 400,000 | - | 400,000 | 800,000 | 400,000 | - | - |
| | US | | - | - | 400,000 | - | 400,000 | 400,000 | 400,000 |
| | EU | | - | - | - | 400,000 | 400,000 | 800,000 | 800,000 |
| | Total | | 400,000 | - | 800,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |

Performance Projection

Projected profitability in FY2023

Operating margin improves with addition of license fees (annual fee + royalty + management fee) as these have minimal additional cost

Projected Performance - A\$



| | Actual FY2020 | Actual FY2021 | Forecast FY2022 | Forecast FY2023 | Forecast FY2024 | Forecast FY2025 | Forecast FY2026 | Forecast FY2027 |
|----------------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| P&L Summary | | | | | | | | |
| Trading Sales | | | | | | | | |
| ANZ Sales Sales | - | 117,357 | 615,287 | 2,589,000 | 4,097,000 | 4,916,400 | 5,899,680 | 7,079,616 |
| US Licence fees | - | - | - | 156,234 | 317,001 | 688,900 | 1,036,608 | 1,575,182 |
| EU Licence fees | - | - | - | - | 312,468 | 634,002 | 1,377,800 | 2,073,216 |
| Total Receipts | - | 117,357 | 615,287 | 2,745,234 | 4,726,470 | 6,239,303 | 8,314,089 | 10,728,014 |
| | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| COGS | | | | | | | | |
| Materials | - | - | 52,594 | 163,200 | 257,600 | 309,120 | 370,944 | 445,133 |
| Vehicle Expenses | - | 13,786 | 83,619 | 167,258 | 259,965 | 273,853 | 273,853 | 273,853 |
| Freight | 1,776 | 12,031 | 14,270 | 15,000 | 18,000 | 21,600 | 25,920 | 31,104 |
| Other Operating | - | 12,099 | 18,467 | 19,508 | 19,508 | 23,409 | 28,091 | 33,709 |
| Operating Labour | - | 6,570 | 52,250 | 396,000 | 602,250 | 722,700 | 867,240 | 1,040,688 |
| License Support Costs - US | - | - | 42,857 | 57,143 | 57,143 | 85,714 | 114,286 | 142,857 |
| License Support Costs - EU | - | - | - | 85,714 | 114,286 | 114,286 | 171,429 | 228,571 |
| | 1,776 | 44,486 | 264,058 | 903,823 | 1,328,751 | 1,550,682 | 1,851,762 | 2,195,916 |
| | | 38% | 43% | 33% | 28% | 25% | 22% | 20% |
| Gross Profit | (1,776) | 72,871 | 351,229 | 1,841,412 | 3,397,718 | 4,688,620 | 6,462,326 | 8,532,099 |
| | | 62% | 57% | 67% | 72% | 75% | 78% | 80% |
| Overheads | | | | | | | | |
| Premises | - | 28,330 | 39,171 | 55,000 | 60,000 | 66,000 | 72,600 | 79,860 |
| Labour | 133,663 | 624,069 | 532,123 | 853,179 | 1,456,495 | 1,602,145 | 1,762,359 | 1,938,595 |
| Marketing | 5,000 | 27,445 | 17,188 | 56,989 | 96,000 | 105,600 | 116,160 | 127,776 |
| R&D | 236,243 | 558,429 | 238,876 | 100,000 | 100,000 | 100,000 | 20,000 | 22,000 |
| IP | 28,575 | - | 13,700 | - | - | - | - | - |
| Other | 4,042 | 68,829 | (16,406) | (169,205) | (227,777) | 100,000 | 100,000 | 100,000 |
| | 407,523 | 1,307,102 | 824,652 | 895,963 | 1,484,719 | 1,973,745 | 2,071,119 | 2,268,231 |
| | | 1114% | 134% | 33% | 31% | 32% | 25% | 21% |
| Operating Profit | (409,300) | (1,234,231) | (473,423) | 945,449 | 1,913,000 | 2,714,876 | 4,391,207 | 6,263,867 |
| | | | -77% | 34% | 40% | 44% | 53% | 58% |

Cash Forecast

Planned equity contribution of A\$1-1.5m in 2022

No further funding required under projected future income

Dividends possible from 2024 onwards

| | Actual FY2020 | Actual FY2021 | Forecast FY2022 | Forecast FY2023 | Forecast FY2024 | Forecast FY2025 | Forecast FY2026 | Forecast FY2027 |
|----------------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Opening Cash | - | 317,543 | 382,284 | 1,144,513 | 1,067,861 | 943,521 | 718,094 | 1,109,892 |
| Receipts | | | | | | | | |
| Australia / NZ Cash Sales | - | 89,122 | 477,682 | 2,504,683 | 4,009,553 | 4,512,207 | 5,713,905 | 6,557,429 |
| US License | | | - | 156,234 | 317,001 | 688,900 | 1,036,608 | 1,575,182 |
| EU License | | | - | - | 312,468 | 634,002 | 1,377,800 | 2,073,216 |
| R&D Tax Rebate | | 130,997 | 317,341 | 103,911 | 43,500 | | | |
| Grants | | 463,577 | 44,000 | | | | | |
| Other Revenue | (837) | (968) | 363,753 | - | - | - | - | - |
| | (837) | 682,728 | 1,202,776 | 2,764,828 | 4,682,523 | 5,835,109 | 8,128,314 | 10,205,827 |
| Operating Expenses | 289,522 | 1,366,858 | 1,279,200 | 1,799,785 | 2,813,470 | 3,524,427 | 3,922,881 | 4,464,147 |
| CAPEX | | | | | | | | |
| Australia / NZ | | | 100,000 | 400,000 | 800,000 | 400,000 | - | - |
| USA License | | | | 400,000 | - | 400,000 | 400,000 | 400,000 |
| EU License | | | 100,000 | - | 400,000 | 400,000 | 800,000 | 800,000 |
| | - | - | 200,000 | 800,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| Other non-operating | | | | | | | | |
| Equity | 676,250 | 495,300 | 1,000,000 | - | - | - | - | - |
| Loans | - | 200,000 | (200,000) | - | - | - | - | - |
| Convertible Note | - | - | 300,300 | (300,300) | - | - | - | - |
| Capital Raising Fees | (36,313) | (19,331) | (50,000) | | | | | |
| Other | | 53,371 | | | | | | |
| Net GST | (32,035) | 19,530 | (11,647) | 58,606 | 206,608 | - | (10,034) | (22,769) |
| Tax Paid | | - | - | - | - | (336,109) | (603,601) | (999,868) |
| Dividends Paid | | | | | (1,000,000) | (1,000,000) | (2,000,000) | (3,500,000) |
| Net Cash Movement | 317,543 | 64,740 | 762,229 | (76,652) | (124,339) | (225,427) | 391,797 | 19,043 |
| Closing Cash | 317,543 | 382,284 | 1,144,513 | 1,067,861 | 943,521 | 718,094 | 1,109,892 | 1,128,935 |

Use of Funds

While the company is forecast to be profitable from FY2023 onwards, it requires funding for:

- Premises relocation and upgrade in 2022
- Planned trials in the UK including a small demonstration device
- Enable expanded operating capacity in Australia and the US in FY2023
- Working capital requirements in 2022

| Use of Funds (A\$) | FY2022 | FY2023 |
|---|----------------|----------------|
| Australian Premises: Relocation + Upgrade | 100,000 | |
| EU Trials incl. Equipment | 100,000 | |
| Australia - Mobile Device 2 | | 400,000 |
| USA - Initial Mobile Device | | 400,000 |
| Working Capital | 200,000 | |
| Total | 400,000 | 800,000 |

Supporting Material

Attachment B: Business Development Status

Commercial in Confidence

January 2022



Business Development: Australian Winery Groups

RenewOak is in advanced discussions, trials or has active business with large Australian winery groups

Annual potential from these parties is ~ 40,000 barrels

| Large Winery / Groups | Location | Scope | | | Context / Opportunity | Activity / Status | |
|---------------------------------|----------------------------|-----------|--------------------|------------------|--|--|--|
| | | Crush (t) | Barrels in Use Est | Annual Potential | | Focus / Status | Next Steps |
| Treasury Wine Estates | Barossa + other | > 200,000 | > 150,000 | > 20,000 p.a. | Largest Aust. based international wine group: SA Penfolds, Wolf Blass, Lindeman's, Wynns, Pepperjack, Rosemount, Seppelt, Vic Coldstream Hills | Committed to trial post 2022 vintage. Logistics under arrangement. | Arrange protocol for trial in Q2 2022 Maintain communication to Coldstream winemakers |
| Pernod Ricard Winemakers | Barossa + other | 80,000 | > 25,000 | 5,000 | International group including spirits and wine. In Australia: Jacobs Creek (Orlando), St Hugo, NZ Church Road | Red Wine trial underway - results of their trial in January or Feb 22 | Likely to do a larger trial (200 to 300 barrels) Q1 2022 |
| Accolade Wines | Various | 230,000 | TBA | > 2,000 | International group: SA Petaluma, St Hallett, Grant Burge, Hardys, Croser, Katnook, WA Houghton, Vic Stonier, NZ, Sth Africa. Not easy to deal with centrally. | Bureaucratic structure / Have reduced the amount of small oak inventory. 12 barrel trial started at St Hallett, Oct 21 | Trial should be finished Q1 2022 |
| Casella Family Brands | Barossa / NSW | 250,000 | > 18,000 | > 3,000 | Mostly bulk wine from Riverland's (Yellowtail), Some premium brands - SA Peter Lehman, Brands Laira, Vic Morris, Bailey | Rejuvenation of wine barrels from Peter Lehman site for use in the spirits sector | Arranging small trial to support spirits program |
| AVL | Barossa / Mildura / Hunter | TBA | 3,000 | > 1,000 | McGuigan, Napenthe, Thempus II (Baronga: 3000 barrels, bulk facility) | Discussions during 2021 | Ready to do 1-2 days work at their Mildura facility (requires the mobile line) |
| Endeavour Group | SA & Vic | | TBA | > 2,000 | Group that owns BWS and Dan Murphy, includes SA Chapel Hill, Dorrien, Vic Oakridge | Chapel Hill is a repeat customer | Expand to Dorrien and Oakridge |
| Yalumba | Barossa | 60,000 | 20,000 | > 3,000 | Bulk (Oxford Landing, Moppa) + quality wines (Anguston site). Iconic Barossa winemaker | Successful wine trial completed | Working with winemaker to integrate the RenewOak process |
| Taylors | Claire Valley | | > 12,000 | > 2,000 | Showed interest when first introduced to process in late 2020. Have not proceeded to undertake a trial | Trial protocol provided Follow-up with samples from other trials | AK to maintain pressure on winemakers to proceed with trial. |
| D'Arenberg | McLaren Vale | 3,000 | 5,000 | > 1,000 | Heavy user of oak and have aged oak inventory | Trials undertaken on 2017 barrels | Expected to order in volume Q1 2022 |
| | | | Total | ~ 40,000 | | | |

Business Development: Other Strategic

Sales activity to other players and markets:

- RenewOak has undertaken successful whisky maturation trials with Starward, a Melbourne base company, part owned by Diageo. This has resulted in orders of specific ex-red wine barrels, which RenewOak has sourced and cleaned.
- Via Starward, RenewOak has made contact with Diageo centrally to explore opportunities

| | Location | Potential Barrels Annual | Context / Opportunity | Activity / Status | |
|-------------------|--------------------------|--------------------------|--|---|--|
| | | | | Focus / Status | Next Steps |
| Distillers | | | | | |
| Starward | Australia: South Melb | > 1,000 | Largest Victorian whisky distillery. Part owned by Diageo. Cleaning of existing barrels for re-use. Cleaning of used wine barrels pre use by distillery. Potential to prepare barrel via cleaning then sherry maturation. | Trial and tasting completed with positive outcomes. Focusing on 1. Clening existing barrels, and 2. Sourcing and preparing barrels suited to their products | 80 ex-red barrels sale to be a major trial at Starward Jan 2022: Should enable on-going supply of renewed ex-red barrels |
| Diageo | International / Scotland | TBA | Global producer and marketer of spirits: Cleaning of barrels, or, supply of ex-wine barrels that have been cleaned and prepared for use | Explore opportunities for RenewOak within Diageo operations | General discussions with Diageo regarding the application of the RenewOak process |

Business Development: Other Strategic

Sales activity to other players and markets:

- RenewOak is also undertaking discussions with service providers in Australia with the objective of inserting operations into the used barrel market: AP John, which controls barrels returning from Treasury and other large winery groups, and Barrel partners which controls the barrel trade from New Zealand
- RenewOak is in discussion with potential licensees in target offshore markets: Oakwood, largest independent cooperage in Scotland, and Top It Off, a leading service provider to the US wine sector.

| | Location | Potential Barrels Annual | Context / Opportunity | Activity / Status | |
|---|-----------------|--------------------------|--|--|--|
| | | | | Focus / Status | Next Steps |
| Service Providers | | | | | |
| Large Australian Cooperage | Barossa | > 20,000 | Receives used barrels from winery groups and others and resells into market, including to distillers. Potential to work co-operatively to process used barrels and re-sell | Trial underway at well known winery. Discussions moving towards contract status | Contract discussions regarding used barrel cleaning and sale |
| Aust / NZ Barrel broker | Aust / NZ | > 2,000 used barrels | Buys barrels from NZ and elsewhere and re-sells into market. | Potential to co-purchase barrels, rejuvenate and sell to existing customers. | Discussions on-going |
| Largest independent cooperage in Scotland | UK: Scotland | TBA | Rejuvenate ex-bourbon barrels and/or ex-red or fortified barrels for finishing barrels | Potential licensee. Agreed to participate in trial with William Grant and other distilleries | Shipped barrels for trials Jan 22 |
| Leading provider of services to the US wine sector | US: Napa Valley | > 40,000 | Bottling and barrel storage. Large player in Napa Valley | Potential licensee | Discussion Q1 2022 |