

SYDNEY, Australia

30 January 2020

ASX Announcement

QUARTERLY REPORT – 31 DECEMBER 2019

HIGHLIGHTS

- **WINEDEPOT** launched, orders growing & strong pipeline leading into 2020
- **WINEDEPOT** processes 2,432 unique orders in first 6 weeks of operation
- **WINEDEPOT** generates maiden revenue of \$84,250
- **WINEDEPOT** expects strong revenue growth as more of Australia's 2,500 wineries and 250 craft spirits producers sign up to use the platform
- **WINEDEPOT** signs up 19 wineries in 2019 with another 6 currently being onboarded
- **WINEDEPOT** onboards Casella Family Wines, Australia's largest family owned winery
- **WINEDEPOT** welcomes its first spirit producer
- **WINEDEPOT** has its first 1,000+ order day
- **DW8** shareholders welcome an entirely refreshed board
- **DW8** successfully closes \$1.6m capital raising oversubscribed

Digital Wine Ventures Limited (ASX: DW8) (Company) is pleased to provide a summary of the activity undertaken in the three-month period ending 31 December 2019.

WINEDEPOT launched, orders growing everyday & strong pipeline

After more than 2 years in research, development and planning, **WINEDEPOT** was officially launched at a major national direct-to-consumer (DTC) conference held in Orange NSW in late September in front of 150 senior industry leaders. Two months later on 22 November, the Company was pleased to announce that it had processed its first wave of orders on behalf of paying customers. In the first six weeks of operation a total of 2,432 orders were processed through the platform.

Since the start of this year, the Company has seen a steady flow of new customers signing up to use the platform, In addition the average number of orders processed each day is steadily increasing.

Digital Wine's CEO Dean Taylor is happy with the businesses progress so far confirming that "The number of sign ups and orders being processed is in line with the Company's internal performance targets. What is really exciting is that, despite it typically being one of the quietest months of the year for the wine industry, we have already processed more orders in January than we did December."

"We are looking forward to start reporting on these and other key metrics from Q3 FY2020 onwards, once we have enough data to show how the business is trending."



WINEDEPOT generates maiden revenue of \$84,250

The Company is pleased to report that the **WINEDEPOT** business generated total revenue of **\$84,250** for the December quarter. CEO, Dean Taylor was pleased with the result given the business was only operational for the last half of the quarter. He also expects revenue to grow strongly throughout 2020 as more of Australia's 2,500 wineries and 250 craft spirits producers sign up to use the platform. Beyond the number of active customers, other key revenue drivers include:

- **Number of unique product SKUs** – distributed in our network
- **Quantity of inventory** – stored in our depot network
- **Average order size** – number of cartons, which is typically larger for trade customers
- **Delivery service required** – local, intrastate, interstate and urgency

Fees generated include:

- **Fulfillment fees** - includes receiving, picking, packing and metro delivery
- **Storage fees** – for holding and storing products within our depot network
- **Surcharges** – for urgent deliveries and those to non-metro locations
- **Other Fees** – for picking, packing, kitting and cartons supplied

Fulfillment Fees for the regular end-to-end metro delivery service vary from **\$8.50 to \$16.50** per case depending on case size and dispatch depot location.

Storage Fees vary from **\$2.20 to \$5.00** per pallet or part thereof per week. Pallet hire is charged separately at \$0.70 per pallet per week.

Surcharges for deliveries to regional, country and interstate locations vary from **\$2.50 to \$30.00** per case, depending on the destination address and service level required.

Digital Wine's CEO Dean Taylor explained this saying "Our vertically integrated platform provides us the ability to generate both transactional and logistical revenues. Right now, our primary source of revenue is from **Logistics Solution**, which are entirely volume driven.

The next phase of the platform will be to establish a B2B marketplace whereby the Company will also generate **Trading Fees** which are value driven with **WINEDEPOT** taking a percentage of the overall transaction value."

Taylor goes on to explain: "It's important to remember that we are a technology company that uses a platform to connect and aggregate customers within an industry. As such we outsource 100% of the logistics services to third party logistics partners under variable cost agreements. Putting the corporate overhead of the Company aside, we technically generate a profit on every case that flows through our platform from day one."

"While over time **Trading Fees** should become our largest and most profitable revenue stream, in the interim we are leveraging our **Logistics Solution** to acquire suppliers and generate cash flow that is reinvested into the establishment of the B2B Marketplace."

Each customer using the **Logistics Solution** is subject to an agreed **Rate Card** that outlines the fees and charges payable for each of the services provided. A copy of **WINEDEPOT's** standard Rate Card is available via the website at <https://winedepot.com/rate-card/>

WINEDEPOT signs up 19 wineries in 2019 with another 6 ready to go

Over the quarter the Company announced that the following customers had signed up to use WINEDEPOT's unique integrated trading, order management & logistics platform.

• Baileys of Glenrowan	Glenrowan
• Blackgate Estate	Riverina
• Brand's Laira	Coonawarra
• Brown Hill Wines	Margaret River
• Casella Family Wines	Various regions
• Cherish Corporation	Various regions
• Gatch Wine	Adelaide Hills
• Golding Wines	Adelaide Hills
• Hutton Vale Farm	Barossa Valley
• Josef Chromy	Tasmania
• Kismet Trading	Imported Wines
• Maan Wines	McLaren Vale
• Morris of Rutherglen	Rutherglen
• Premium Cleanskins	Various regions
• Peter Lehmann Wines	Barossa Valley
• Primo Estate	McLaren Vale
• Redman Wines	Coonawarra
• The Magic Box Wine Collection	Various regions
• [yellow tail] Wine	Various regions

Since 1 January 2020 a further six wineries have signed up as customers and are expected to be onboarded in Q3 FY2020. Together these represent just 1% of the 2,500¹ wineries in Australia, showing that the business has only just scratched the surface of the addressable market.

WINEDEPOT onboards Casella, Australia's largest family owned winery

On 21 October 2019 the Company announced it had onboarded Casella Family Wines as a foundation customer of WINEDEPOT's integrated logistics, trading and order management platform.

Casella Family Brands is Australia's largest and most successful family owned wine business. Each year the group crushes between 160,000 and 200,000 tonnes of fruit making it the second largest wine producer in Australia² Casella Family Brands also operates a number of regional wineries throughout Australia.

Flaminio Dondina, Casella Family Brands' General Manager of Procurement/Distribution/Strategy, said "WINEDEPOT's network and technology offering perfectly complements our domestic distribution model with a reliable solution for small deliveries. Due to the scale of our business and the number of regional wineries under the Casella Family Brands' umbrella, this partnership will add significant value to our organisation by reducing complexity, increasing operational efficiencies and improving delivery times."

¹ <https://www.wineaustralia.com/market-insights/australian-wine-sector-at-a-glance>

² Australia's largest wine companies by total production volume – The Australian and New Zealand Wine Industry Directory 2019

WINEDEPOT welcomes its first spirit producer

On 27 November, the Company was excited to announce that **Vodka Plus**, an emerging craft spirit wine producer, had appointed **WINEDEPOT**'s to manage their national distribution. This sees **WINEDEPOT** enter into the spirits market with an addressable market valued at AUD \$5.3 billion per annum.

Vodka+ is an award-winning iconic Australian made and owned vodka distilled with a unique blend of the finest South Australian grapes, pure Tasmanian rainwater and added Australian botanicals, offering a smooth, crisp flavour and distinctive taste profile. It is gluten-free, sugar-free, lactose-free, vegan vodka with no chemical additives.

"WINEDEPOT provides the opportunity for new and emerging brands like Vodka+ to connect with and deliver to their customers in a fast and cost-effective manner. Previously many of their customers had to wait up to 2-weeks for deliveries, which just doesn't cut it in 2019," he shares. Co-founder of Vodka+ Marko Pavasovic says the platform will enable them to reach a wider customer base while retaining greater profit margins than through other distribution channels.

"We're excited to partner with a forward-thinking tech company that's helping craft spirits producers like ourselves to build and grow the direct-to-consumer market in Australia. We're all about challenging the norms and looking for new and innovative ways of thinking."

Digital Wines CEO Dean Taylor said **"While our platform has been built with wine in mind, we've discovered that it works equally well for craft spirits, beers and ciders. This opens up a whole new market for us that is rapidly growing and not currently catered for. It's increases the potential addressable market of our platform immensely. We expect that many more of the 250 or so craft spirit producers in Australia will follow their lead."**

WINEDEPOT has its first 1,000+ order day

On 11 December, the Company was pleased to report that **WINEDEPOT** had its first 1,000+ order day.

Digital Wine CEO Dean Taylor confirmed that he we happy with the way the technology platform held up and believes that this will be the first of many record setting days as the volume of orders being processed through **WINEDEPOT**'s platform compounds from growth in suppliers, products and active sales channels.

"Having this many orders hit one go was a great test for our platform. While we uncovered a couple of bugs and some areas for improvement in our processes, I was generally pleased with the way our system and the supporting infrastructure coped under the load. It undoubtedly has the ability to handle the much larger volumes that we expect our customers will generate in due course."

"What it also showed is the potential of our platform to support online retailers by processing large volumes of orders over a short period of time, while offering their customers access to a same and or next day delivery service."

DW8 shareholders welcome an entirely refreshed board

During the quarter the Company appointed two well-respected and highly experienced executives to the **DW8 Board**, replacing the former Chairman Piers Lewis and long-standing director Sam Atkins.

Recruited by CEO Dean Taylor, the two new directors bring a wealth of knowledge and experience to the DW8 Board and business acumen that will undoubtedly provide the Company with valuable advantages in rolling out and scaling its **WINEDEPOT** technology platform.

PAUL EVANS – NON-EXECUTIVE CHAIRMAN

Paul has 27 years of private equity experience including with 3i in the United Kingdom and with AMP and Ironbridge in Australia. After six years as a Director of AMP Private Equity, where he led several of Australia's leading management buyouts, Paul left to join Gresham in 2001 as a Director. There he led the A\$252 million buyout of car parts group Repco in 2001.

In 2003 Paul became one of the Founding Partners of Ironbridge and has represented Ironbridge Funds on the Boards of Mrs Crocket's Kitchen, Barbeques Galore, iNova Pharmaceuticals, Recreational Tourism Group and Super A Mart. Since 2017, Paul has also been Director, Operations for Pacific Road Capital, an experienced mining investor.

Paul obtained a first class Honours degree in Modern Languages from Cambridge University. He is also a wine enthusiast and is the Chairman of the Elderton Wines Advisory Board.

Mr Paul Evans joined the Board on 1 November 2019 and subsequently invested \$150,000 in the capital raising that Digital Wine completed during the quarter.

JAMES WALKER – NON-EXECUTIVE DIRECTOR

Mr Walker is a seasoned executive, with a track record in successfully commercialising cutting-edge technology in emerging markets. He has headed a number of Australian and international technology companies, including as Chief Executive Officer of DroneShield (ASX:DRO), Chief Financial Officer of Seeing Machines (AIM: SEE) and held leadership positions in a number of growth companies.

Mr Walker is currently the Non-Executive Chairman of thedocyard and a Non-Executive Director at Bluglass (ASX:BLG). His strong finance, strategic management, M&A and IPO experience will add significant value to the Digital Wine Ventures Board.

James has over twenty years' executive and board experience, where he has built and scaled-up businesses across a wide range of global technology industries; from enterprise software, financial services, mining technology services, automotive, aviation, biotechnology, drone detection and security sectors.

Mr James Walker joined the Board on 30 September 2019 and subsequently invested \$25,000 in the capital raising that Digital Wine completed during the quarter.

DW8 successfully closes \$1.6m capital raising oversubscribed

During the quarter the company successfully closed a \$1.6m capital raising. Funds raised will be used towards additional human resources, technology research & development, marketing and advertising and general working capital for the expansion of the **WINEDEPOT** business. The new funding was provided via the combination of a Placement and Rights Issue based on the following terms:

PLACEMENT

154,267,760 new fully paid ordinary shares (split between 127,344,683 to sophisticated investors and 26,923,077 to directors) at an issue price of \$0.0065 per share with 38,566,940 free attaching options (split between 31,836,171 to sophisticated investors and 6,730,769 to directors) issued on the ratio of 1 option for every 4 fully paid shares subscribed.

RIGHTS ISSUE

102,115,921 new fully paid ordinary shares at an issue price of \$0.006 per share with 11,346,211 free attaching options issued on the ratio of 1 option for every 9 fully paid shares subscribed.

The free attaching options have subsequently been listed and are exercisable at \$0.015 per option on or before 31 December 2022.

WINEDEPOT media coverage

Here is some of the media coverage that DW8 and **WINEDEPOT** received over the quarter.

To view our most recent media coverage please visit:

- <https://www.digitalwine.ventures/media-coverage.php>
- <https://winedepot.com/media-coverage/>

This ASX announcement was approved and authorised for release by the Board of Directors.

WINEDEPOT business overview

WINEDEPOT is a cloud-based technology platform that has been designed to connect wine industry stakeholders to reduce the time, margin and capital wasted in the existing supply chain.

Catering for **producers, distributors, importers and retailers** of all sizes, the vertically integrated trading, order management and logistics platform provides an end-to-end supply chain solution capable of servicing a wide variety of sales channels including the rapidly growing direct-to-consumer and online market segments.

Key benefits the cloud-based technology platform provides stakeholders include:

- Reduced freight costs & shipping times;
- Reduced paperwork & administration;
- Reduced working capital requirement;
- Reduced errors & breakages;
- Increased customer reach;
- Increased customer satisfaction and repeat sales.



WINEDEPOT plans to launch its integrated wine trading and smart logistics platform in Australia before expanding its depot network into other key markets for Australian wine such as China, USA, UK, Canada, Hong Kong, Singapore and New Zealand.

Digital Wine Ventures (ASX DW8) is an Australian Publicly listed company that aims to identify and invest in early stage technology-driven ventures that have the potential to disrupt and digitally transform segments within the global beverage market and support them by providing access to capital, expertise and share services.

For more information please visit www.digitalwine.ventures and www.winedepot.com or contact:

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