



Coonawarra Premium Vineyards Projects

June 2005 Newsletter

GROUP MANAGING DIRECTOR'S REPORT

Another tough year for grape growers. For CPV Project 1 all grapes other than 24 tonnes of merlot were sold. All the whites and some reds from CPV Project 2 were sold. The District Weighted Average Prices are not yet released but are expected to be slightly below those for 2004. We will continue to look for purchasers for the bulk wine.

This year's vintage for the region was the biggest ever with a lift of almost 6% on last year's record. 1.92 million tonnes were processed and overall this year was described as "one of consistent good quality across all regions" (The Breakfast Bulletin, August 2005).

Sadly we have said goodbye to one of our longest serving employees, Investor Relations Officer Amber Holliday. She has decided to pursue a career in Sydney and we wish her all the best. Megan Kennedy has taken over all Investor Correspondence.

Liz Sorensen has joined our team at Wayville as Credit Manager. Our Vineyard office also has a new Office Administrator, Christine Lambert. We welcome Liz and Christine to the team.

Rex Watson
Group Managing Director

FREQUENTLY ASKED QUESTIONS

Recently many investors have inquired about the offset of their management and quarterly licence fee against their November grape distribution. For this to be possible an investor must be up to date with all payments prior to the June invoice. The amount that can be offset is determined by the net grape proceeds which are not finalised until the district weight average prices are released in September. Estimated figures have been used to date. This also means that any difference between the estimated figures and the actual figures will be taken into account even if they have offset their fees against the distribution.

Investors may have also noticed an increase in the management fees for 2005/2006. The project constitution requires the annual Adelaide CPI increase to be applied to all base management fees as set out in the prospectus. This year the increase was 2.17% resulting in an increase of \$15.08.

WINEMAKER VISITS

Roger Harbord, Chief Winemaker from Watson Wine Group has visited Russet Ridge Winery to oversee processing of the unsold grapes from the Projects. The bulk wine is progressing well and should be ready for sale by October 2005.

TAXATION INFORMATION

The annual project taxation summaries will be forwarded to all investors as soon as possible to enable you to complete your Income Tax returns and your Business Activity Statements.

NUGAN UPDATE

The claim for damages for non-payment of the balance of the 2003 harvest, proceeds of the 2004 harvest, any shortfall from the 2005 harvest and for repudiation of the contract for the 2006 to 2012 harvests is continuing through the court system. This claim is likely to reduce as damages are mitigated through sales of bulk wine. A directions hearing was scheduled for 15 July 2005 however a date is yet to be set for the trial.

On the 13th of April Brian Sainty and Darren Owers from Nugan visited the vineyards to inspect the Shiraz and Cabernet Sauvignon grapes in the blocks originally contracted to the Nugan Group. These grapes were subsequently harvested and sold to Nugan.

The litigation with Nugan is not an isolated instance in the wine industry. Grape growers generally have suffered the actions of many wineries & grape purchasers refusing to honour existing contracts and/or forcing a renegotiation of terms of existing contracts.

WATSON WINE GROUP

Watson Wine Group Pty Ltd (WWG) has offered to enter into a contract for 2006 onwards for the purchase of Sauvignon Blanc and Chardonnay Grapes from Project 1 (approx. 9 Ha in total) on the same terms as the original Nugan contract provided that Coonawarra Premium Vineyards Limited and Coonawarra Vineyard Management Services Pty Ltd remain as managers of the Coonawarra Premium Vineyards Projects. This contract is currently being drawn up and circulated to the independent directors for approval.

In relation to the 2005 vintage WWG acquired 110 Tonnes of Merlot, 67 Tonnes of Chardonnay and 42 Tonnes of Sauvignon Blanc from Project 1 at the Nugan contract price which means there was no difference in these sales compared to what would have occurred if the grapes were sold to Nugan.

WWG also purchased grapes from CPV2 (see details overleaf)

WINE OFFER

The wine offer posted to all investors is still available. Prices are \$108 per case for the CPV range or any 3 cases for \$310.

The 2003 CPV Cabernet Sauvignon, won a Bronze medal at the Cowra Wine Show and the 2004 CPV Sauvignon Blanc, won a Bronze medal at the Queensland Royal Show.

All prices are inclusive of delivery within mainland Australia including Tasmania. Any queries contact Claire at: sales@watsonwine.com

WEBSITE

The information about invoices posted to all CPV1 and CPV2 investors can now be viewed on the website. The 2005 taxation summaries will also be posted on the website once they have been completed.

Any queries please contact :
enquiries@coonawarravineyard.com.au

Coonawarra Premium Vineyards

ARSN 087 876 186

Project

Grapevines

Mechanical pre-pruning is progressing satisfactorily with over half of this vineyard completed. Follow up hand pruning by contract workers is progressing well with approximately 40% of CPV1 completed. Some of the remaining blocks (4,5, 6 and 9 Cabernet) will be left until mid August when modifications that are planned for the pre-pruner will allow a tighter mechanical prune. This will be followed up with manual pruning clean up. There have been further improvements to the canopy management system, particularly in Merlot blocks. The frost system is currently being prepared for operation. Long-range forecasts are predicting a cold September / October period when protection of shoots and flower buds is critical.

The vines are healthy and are starting to achieve balance between crop load and vegetative growth.

The extremely cold, wet and windy weather conditions have made outdoor work difficult, but the pruners continue to maintain a steady pace.

Bulk Wine

24 tonnes of Merlot and 7tonnes of surplus Shiraz from the Nugan blocks were processed into bulk wine at Russet Ridge (Orlando) in the Coonawarra.

Harvest

Harvest was finished on the 22nd of April, about 1 month earlier than usual in Coonawarra. A total of 1942 tonnes of grapes were harvested.

All the 2005 CPV1 crop has currently been sold except a small amount of the merlot and shiraz. The bulk wine market is extremely tough at this point in time due to the oversupply of grapes. Small parcels of bulk wine have been sold to local and international buyers at prices between \$1.10 and \$1.50 per litre for reds and up to \$2.50 for whites (these sales were only for small volumes). Storage costs of up to 25c/litre/year are now being incurred which places further pressure on the need to sell the bulk wine on an orderly basis. Current offers under consideration are around 95 cents per litre.

Coonawarra Premium Vineyards

ARSN 096 298 074

Project No. 2

Grapevines

The vines have developed considerably over the past season. Variability across all blocks is reduced especially in the chardonnay block where differences in the size of the vines through the first two seasons is reducing. The canopy management system across all blocks has been completed.

The foliage management systems that were largely installed through last season have also performed well. Pruning commenced on the 10th June.

With another year of growth and development behind them these vines are approaching the point where they are capable of producing larger crops in the oncoming season. These vines are well set up to continue the production of quality fruit that was achieved last season. The Cabernet should show further improvements in quality this season.

Stage 2 - Grapevines

Crop thinning through the Shiraz block has increased the quality of fruit that was produced this year as well as reducing the stress on the vines. The cabernet block has

also shown improvement in canopy and cane size.

Preparations for winter pruning are currently underway and hand pruning is planned for late August for Stage 3 Grapevines. With careful pruning and good vine management early in the 05/06 season the Project two Stage 3 vineyard should be able to yield a small crop.

Harvest

Harvest finished on the 22 April about one month earlier than usual. In total 479 tonnes of grapes were harvested.

Sales to Watson Wine Group

WWG purchased the Chardonnay grapes (25 tonne) and Sauvignon Blanc grapes (22 tonne) from Stage 1 and 45 tonnes of the Shiraz from Stage 2 at District Weighted Average Prices.

Grape Sales

All of the CPV2 2005 whites and some reds have been sold.

Bulk Wine

Sales of Bulk Wine for prices between \$1.10-\$1.50 for reds and up to \$2.50 for whites have taken place however these were only for small volumes. Current offers under consideration are around 95 cents per litre.

Product Ruling Application

The product ruling application has been lodged with the ATO regarding a restructure of CPV2 however they are still to decide whether product ruling or class ruling is required. We are still waiting on a response from the ATO.



Harvesting the 2005 vintage

Disclaimer

"Any financial product advice contained in this document is unsolicited and for general information only. The information does not take into consideration the investment objectives, financial situation or particular needs of any individual recipient of this publication. Investors must obtain individual financial advice from their investment advisor to determine whether any financial advice contained in this publication is appropriate to their personal investment objectives, financial situation or particular needs before acting on any such advice. This publication is not for public circulation or reproduction in whole or in part and is not to be disclosed to any person other than the intended recipient, without obtaining prior written consent of Coonawarra Premium Vineyards Limited."