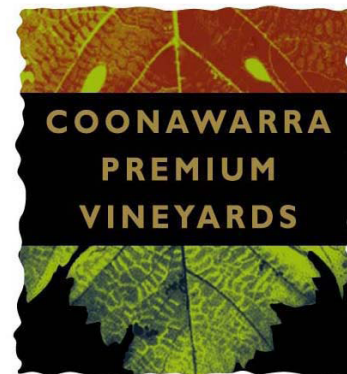


Coonawarra Premium Vineyards Project

June 2006 Newsletter



Group Managing Directors Report

PROJECT TO CONTINUE

Neither of the resolutions to terminate the Project were passed at the meeting of Coonawarra Premium Vineyards Project Growers held on 13th April 2006. Accordingly the Coonawarra Premium Vineyards Project has not been terminated and the operations of the Project will continue as normal.

INVOICES

Invoices for management fees for the 2006/07 year and grant of use fees for the April-June 2006 quarter have been mailed to growers and are due and payable by 30 June 2006.

NUGAN

As reported last quarter, after extended negotiations and just prior to harvest Nugan declined to take the red wine grapes from the Project blocks 2 to 6 this year. All major wine grape purchasers were contacted as well as a broker and only one offer to purchase grapes was received at only \$300 per tonne. After considering the potential value of the resultant wine in the present market it was decided to sell the Merlot grapes at \$300 per tonne and process the Shiraz and Cabernet Sauvignon grapes into bulk wine. This processing was done at Di Giorgio Winery in Coonawarra and Russet Ridge at Naracoorte.

POTENTIAL PROCEEDS DISTRIBUTION

Unfortunately Nugan's stance in 2006 has resulted in reduced grape proceeds for 2006, which coupled with the additional processing costs has severely restricted the net proceeds available to growers this year. Any net distribution in November is dependant on the final district weighted average prices for 2006 (which will be announced in September) and any sales of bulk wine between now and November.

FUTURE

There has been much media coverage of the oversupply in the market and the low prices of wine grapes. We truly hope this is the bottom of the cycle. Meanwhile we will continue to manage the Project and search out buyers for the wine grapes and bulk wine for the benefit of the Project and Growers.

Rex Watson
Group Managing Director

Project Vineyard Report

HARVEST

2006 was another good year for our white grapes, with high crop levels and good quality fruit produced by careful management and good weather conditions. However, the weather deteriorated markedly in April making for a very difficult season for the red grapes.

Harvest was completed on 4th of May, with Block 3 Merlot being the last block harvested. The cold and wet weather that prevailed during April and early May slowed down ripening of the red grapes and maturity levels virtually stopped rising in the last few weeks before harvest.

This was exacerbated by bottlenecks at some wineries delaying harvest of some grapes beyond the optimum picking times.

While actual tonnages of the reds were down on earlier expectations, they were realistically all that could have been ripened in this difficult year. If we had not carried out some crop thinning at veraison (the time when the grapes start to ripen) the grapes would have struggled to reach minimum allowed Baumes, risking rejection by the wineries.

2006 Pooled Harvest Summary

	Tonnes harvested	Tonnes sold	Est. proceeds of grapes sold	Est. Litres of Bulk Wine
Chardonnay	120.58	120.58	\$143,494	-
Sauvignon Blanc	77.41	77.41	\$103,799	-
Petit Verdot	94.69	94.69	\$111,831	-
Merlot	204.13	204.13	\$108,014	-
Shiraz	423.85	214.12	\$176,432	161,700
Cabernet Sauvignon	575.37	245.62	\$244,961	238,700
	1,496.03	956.55	\$888,532	400,400

Wine Offer

Watson Wine Group continues to buy grapes and bulk wine from the Project. We are pleased to be able to offer some of this wine to investors. The original CPV labelled wine has now sold out. Further vintages of CPV wines will be available later, however we currently have US labelled Gum Bear wine in stock as well as an introductory offer for the new Rex Watson brand: a new release 2005 Coonawarra Shiraz.

Please see order form on the back of this newsletter.