



Coonawarra Premium Vineyards Projects

March 2005 Newsletter

NEWS FLASH: NUGAN

After some negotiation and various offers and counter offers, on legal advice the RE has accepted an offer from Nugan made immediately prior to picking the cabernet sauvignon and shiraz grapes, at prices we believe will be close to DWAP after bonuses and penalties. This means that all the Project 1 2005 crop has now been sold except for 24 tonnes of merlot, which has been processed into bulk wine at Russet Ridge.

GROUP MANAGING DIRECTOR'S REPORT

Project 1 is in its fourth vintage and Project two in its second. Harvest has commenced slightly early this year. All the white and some reds were picked by the end of March 2005.

The oversupply of grapes and bulk wine is still prominent in the industry - the main cause of the dramatically decreased prices in all red varieties from 2003 to 2004. District weighted average prices are expected to be slightly weaker than last year.

Many articles have been published over the months in relation to the current state of the wine industry. Such articles include:

'Too Much Red Wine Gives Growers a Hangover' The Australian, 9 March 2005

'Low Wine Grape Prices labelled opportunism', ABC Online Story, March 8 2005

*Refer to www.coonawarravineyard.com.au for these articles.

In an update to the 'Australian wine industry - supply and demand assessment, 2004' report, the Australian Wine and Brandy Corporation states that 'the 2005 harvest is now expected to be bigger than previously forecast'. This could result in prices being reduced even further this year. Several recent articles have reported growers in the Barossa valley being offered as little as \$200 per tonne for some grape varieties. However, some speculate that these prices are a show of 'opportunism' on behalf of the wineries.

As with all other growers, we now anxiously await the release of district weighted average prices for 2005 in September.

Rex Watson
Group Managing Director

FREQUENTLY ASKED QUESTIONS

Many investors have contacted us seeking clarification regarding the relationship between the two Projects and Watson Wine Group Pty Ltd ('WWG').

WWG is the Responsible Entity's (RE's) parent company and is not funded by investors. It funds its own stand alone wine business and from time to time purchases grapes and bulk wine from the Projects.

SALES TO WATSON WINE GROUP

As previously advised Watson Wine Group has made several purchases of Project bulk wine and grapes at what is considered to be above market prices.

WWG has bought all the uncontracted 2005 white wine grapes at district weighted average prices from both Projects.

WWG has also contracted to buy 155 tonnes of 2005 red wine grapes from the Projects at district weighted average prices, together with some Project bulk wine.

All sales to WWG are negotiated by the independent directors of the RE, with WWG and/or Rex Watson taking no part in the decision making process in order to avoid any conflict of interest.

GROWER UNITS AVAILABLE: PROJECT 1 & 2

As you may or may not be aware, the RE holds a register of growers (in some cases deceased estates) who wish to sell some or all of their grower units in Project 1 or Project 2. If you are interested in buying additional grower units in Project 1 or Project 2 then please contact this office and we will (with consent from both parties) put you in contact with each other to negotiate sale and purchase

Please note that at present we have no registered buyers. The RE is unable to actively attract potential buyers for grower units without issuing a prospectus for this purpose.

WINEMAKER VISITS

In the months leading up to harvest, several wine-makers visited the vineyards to inspect their fruit. These include Craig Stansborough and Bruce Henderson from Grant Burge Wines, Brett Richardson from Kirribilly (for Casella Estate) and Roger Harbord from Watson Wine Group.



Harvester on Project 1 Vineyard

PROJECTED v ACTUAL YIELD TABLE (Tonnes)

	Project 1			Project 2 Stage 1			Project 2 Stage 2			DWAP (\$) 2004**
	Projected Yield*	Actual (A) or Expected (E) yield	Sold	Projected Yield*	Actual (A) or Expected (E) yield	Sold	Projected Yield*	Actual (A) or Expected (E) yield	Sold	
Sauvignon Blanc	101	70 (A)	70	28	22 (A)	22	-	-		1,288
Merlot	374	313 (E)	289	121	88 (E)		-	-		952
Shiraz	696	610 (E)	610	123	142 (E)		62	89 (E)	45	890
Petit Verdot	178	114 (E)	114	-	-		-	-		1,280
Chardonnay	113	100 (A)	100	42	25 (A)	25	-	-		1,447
Cabernet	1102	736(E)	736	114	91 (E)		21	22 (E)		1,146
TOTAL	2564	1943	1919	428	368	47	83	111	45	

*These are projected yields calculated from the viticultural report contained in the Prospectus for Project 2. There were no financial projections in the Prospectus.

**All 2005 sales (except Nugan 851 tonnes) contracted to date are at district weight average prices (DWAP). 2004 Prices are shown here as an indication. Sales to Nugan are at an agreed base price with quality related adjustments.

Coonawarra Premium Vineyards

ARSN 087 876 186

Project

Grapevines

There has been a range of quality control operations carried out on the vines through the last quarter:

- Leaf removal by hand has been done along the bunch zone in all white varieties and in vigorous sections of Shiraz. This is aimed at improving airflow and light penetration to the bunches.
- Hand removal of bunches that exhibited signs of botrytis.
- Targeted crop and shoot thinning aimed at congested areas along the fruit zone, just to name a few.

The soil moisture monitoring systems in place through the vineyard have provided valuable information to assist with irrigation scheduling through the later stages of the growing season.

Harvest

Sauvignon Blanc has been harvested. Some of the grapes have gone to Beelgara Estate with the remainder being sold to Watson Wine Group.

Chardonnay was harvested over the 17th and 18th of March 2005 and the grapes were sold to Casella and WWG.

The harvest of the red varieties commenced after Easter and is progressing well.

Sales to Watson Wine Group

Watson Wine Group has contracted to take 40 tonnes of Sauvignon Blanc, 62 tonnes of Chardonnay and 110 tonnes of Merlot from Project 1.

Bulk Wine

The Responsible Entity ('RE') has been actively seeking buyers for the 2004 bulk wine. The RE continues to supply samples of the bulk wine to brokers and other interested parties, and has sought on 2 separate occasions offers from the top 15 Australian wine companies.

The RE has also appointed independent bulk wine agents, provided bulk wine samples, stored the bulk wine and appointed a winemaker to advise on the wine. All this has been done to increase the

likelihood of selling the bulk wine and therefore producing a return on the grapes to investors. However, no sales have yet resulted other than sales to WWG.

Nugan Update

An offer for the 2005 grapes was received from Nugan in an attempt to limit the potential damages being claimed for by the RE. A counter offer was made by the RE and an improved offer has now been received from Nugan in time for the harvest of the Cabernet Sauvignon and Shiraz grapes and has been accepted by the RE on legal advice. Any shortfall in proceeds from those which would have been received under the original contract will form part of the existing claim for damages for breach of contract.

No trial date has been set, however the next directions hearing is set for May 2005.

Coonawarra Premium Vineyards

ARSN 096 298 074

Project No. 2

Stage 1 - Grapevines

The vineyard is approaching early maturity. This is evident through the variation in vine development becoming less apparent, the canopies becoming more uniform and fruit set is more even.

The irrigation system has been used regularly on all varieties throughout the growing season to ensure that the vine development is maintained.

A small team will be targeting smaller vines over the next few months to ensure that they are well trained on to the cordon wire before harvest

Stage 2 - Grapevines

Crop thinning and green bunch removal has been the main focus of vineyard operations in this vineyard. All fruit has been stripped from weak vines to ensure that their energy is directed to leaf and cane production. Frequent slasher passes along the midrow and herbicide control of weeds in the vine rows have been necessary to reduce competition and allow canopy and crop development.

Harvest

Harvest has begun on the Project 2 vineyards, with harvest of the Merlot, Sauvignon Blanc and Chardonnay completed. All grapes are expected to be harvested by the end of April.

Sales to Watson Wine Group

Watson Wine Group ('WWG') has agreed to purchase a total of 92 tonnes of grapes from the 2005

Project 2 vintage. This consists of 22 tonnes of Sauvignon Blanc and 25 tonnes Chardonnay from stage 1, and 45 tonnes Shiraz from stage 2 of the Project. These sales are all at 2005 District Weighted Average Prices.

Contracts & Processing: Stages 1 & 2

Despite the Responsible Entity's ('RE') efforts no contracts have been found for the grapes produced on the Project 2 vineyard, apart from the grapes contracted to WWG as set out above.

Arrangements have been made with Russet Ridge Winery to process the uncontracted 2005 grapes into bulk wine. Processing invoices will be forwarded to investors as per the schedule dated 24 February 2005.

Bulk Wine

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Roger Budd

Following the general meetings of Growers and Shareholders held in January 2005 in respect of the proposed restructure, a number of informal meetings were held. Correspondence regarding those meetings was circulated by a financial advisor, Roger Budd, raising issues for response by the Manager. A formal response has been issued to all investors in Project 2 to address the issues and also correct misconceptions and factual errors contained in the material circulated from those meetings.

Product Ruling Application

As all investors are aware, the Board has requested Deloitte to lodge a product ruling application with the Australian Tax Office on the basis that the Project 2 is restructured and Grower units are acquired by CPV Land Holdings, no further management fees are payable and that CPV Land Holdings is self funding and able to conduct its own wine business.

Options available to Project 2 investors will be reconsidered upon receipt of the ruling from the ATO.

Investors will be kept informed of the progress of the ruling.

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