



Coonawarra Premium Vineyards Limited
A.C.N. 086 944 265 / A.B.N. 68 086 944 265
AFS Licence No: 226243

16 November 2009

Australian Stock Exchange
91 King William Street
ADELAIDE SA 5000
Attention: Dion Silvy Senior Adviser Issuers (Adelaide)
Fax: 08 8216 5099

Postal: PO Box 6243, Halifax Street
Adelaide SA 5000
Street: 235 Glen Osmond Road
Frewville SA 5063
Telephone (08) 8338 3400
Facsimile (08) 8338 3244

Dear Sir

**COONAWARRA AUSTRALIA PROPERTY TRUST ("CNR") RESPONSE TO QUERY DATED 11
NOVEMBER 2009**

We refer to your letter of query dated 11 November 2009 regarding the announcement of 10 November 2009 by the Trust regarding the impact of the devaluation of its vineyards and consequently that the Trust and CPV Wines Ltd had breached certain banking covenants (the Loan Valuation Ratio was breached as well as the interest coverage ratio) following the receipt of formal valuations after year end.

Responses to the questions follow:

1. When did the Trust agree to the terms of its banking covenants?

The Trust agreed to the banking covenants set out in the bank's letter of offer dated 25 June 2008.

2. What are the terms of the Trust's banking covenants?

The key financial terms of the Trust's banking covenants are Interest Cover Ratio of not less than 1.75x and the Loan Valuation Ratio will be no more than 60%.

3. What measures does the Trust have in place to monitor its banking covenants?

The Trust provides quarterly compliance certificates to the Bank.

4. Is it reasonable to assume that the Trust would have been in a position to determine whether it had breached its banking covenants at the time the Preliminary Financial report was lodged with ASX, given that the PFR disclosed the Trust's audited accounts?

The Trust had received a letter from the Bank dated 26 August advising that the Interest Coverage Ratio had been breached but that the Bank had decided not to exercise its rights relating to these breaches but reserving its rights to any breaches of covenants in the future. On the basis of the written waiver the Trust lodged its PFR on 1 September.

5. If the answer to question 4 is "yes" advise why the trust did not disclose the breach of its banking covenants at the time the PFR was lodged with ASX?

The Trust considers that as the bank had indicated in its letter of 26 August that it would waive the breach the Trust considered its disclosure in the PFR was correct at the time of issue.

6. If the answer to question 4 is 'yes' please advise the basis on which the Trust advised in the PFRS that it did not anticipate any material variation in relation to the Trust's audited accounts?

See response to question 5 above.

7. When did discussions between the Trust and its Bank commence concerning the breach of the Trust's banking covenants?

Discussions commenced following the lodgment of the Compliance Certificate on 17 August 2009 resulting in a letter to the Trust dated 26 August and received on 27 August that the bank had decided not to exercise its rights. After the PFR had been issued the Bank subsequently issued a further letter to the Trust dated 2 September replacing the letter of 26 August. The letter of 2 September advised that there was an Interest Cover Ratio breach and a LVR Breach and invoked the clause for top up security or debt pay down. The breach to the LVR was triggered following a review by the bank of the valuation dated 12 August where the bank used the lower valuation of the vineyard on an unencumbered basis (\$10.5m) instead of the higher valuation taking into account the rental stream of \$13.5m. If the higher value had been adopted the LVR covenant would have been satisfied.

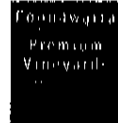
In the letter of 2 September the bank reserved its rights in relation to the breaches and would advise of action shortly. Subsequently various discussions and a meeting have been held with the bank discussing proposals to address the covenant breaches. The Trust is awaiting a response to those proposals from the bank.

8. When did the Trust first become aware that it had breached its banking covenants?

The Trust first became aware that it had problems with its banking covenants in relation to Interest Coverage Ratio on preparation of the Compliance certificate prepared for the Bank dated 14 August 2009. The Trust also believed following discussions with the bank that the covenant would be waived as evidenced by the letter from the bank issued 26 August. On 2 September after the PFR had been lodged a breach to the LVR was triggered as the bank used the lower valuation of the vineyard on an unencumbered basis (\$10.5m) instead of the higher valuation taking into account the rental stream of \$13.5m. If the higher value had been adopted the LVR covenant would have been satisfied.

9. Does the Trust consider the breach of its banking covenants was material to the Trust?

The Trust considers the breaches were not material while the Bank was prepared not to exercise their rights. However, on receipt of the letter dated 2 September the breach was considered material and the trust evaluated the financial implications and accounting treatment of such breaches which were disclosed and set out in detail in the Annual Report issued 23 September 2009. The finance facilities due to the breach were reclassified to current liabilities as the finance facility became repayable on demand (unless the debt is reduced or top up security provided). The bank has not demanded repayment but has reserved its rights. The security for the facility is a registered first mortgage over the vineyard and a fixed and floating charge over all assets and undertakings of the Trust.



10. If the answer to question 9 is "no" please advise the basis on which the Trust does not consider the breach of its banking covenants to be material?

Refer to response to question 9 above.

11. Your comment is sought on whether the Trust is in compliance with the listing rules and, in particular, listing Rule 3.1?

The Trust considers that it is in compliance with listing rule 3.1

As stated in the Trust announcement of 10 November the Trust is continuing discussions with its bank to restructure its debt facility so that its financial covenants are more consistent with the financial performance of the business going forward. The Trust believes that net cash flows will allow the reduction in the level of debt by 30 November 2009 to partially address the Loan to Valuation Ratio and the Trust will continue to actively work with the Bank to ensure the continued availability of a finance facility appropriate to the needs of the Trust and its present operations and assets.

Yours Sincerely

Andrew Parkinson
Director
Company Secretary

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ASX Markets Supervision Pty Ltd
 ABN 26 087 780 489
 91 King William Street
 Adelaide SA 5000

GPO Box 547
 Adelaide SA 5001

Telephone 61 8 8216 5000
 Facsimile 61 8 8216 5099
 www.asx.com.au

11 November 2009

Andrew Parkinson
 Company Secretary
 Coonawarra Australia Property Trust
 235 Glen Osmond Road
 Frewville SA 5063

By email: Andrew@yourwincompany.com

Dear Mr Parkinson,

Coonawarra Australia Property Trust (the "Trust")

ASX Limited ("ASX") refers to the following:

1. The Trust's 2009 Preliminary Final Report ("PFR") lodged with ASX on 31 August 2009.
2. The Trust's Balance Sheet as at 30 June 2009 set out in the PFR showed that the Trust had Current Borrowings of \$1,958,549 and Non-Current Borrowings of \$8,817,502.
3. The announcement lodged with ASX on 1 September 2009 entitled "Preliminary Final Report Statement" ("PFRS").
4. The PFRS advised the following,

"The Company is aware of the requirement in the Appendix 4E to lodge its Independent Auditors Report where the Appendix 4E is based upon numbers which are audited. However the Company is unable to release this report because the Company is in the process of finalising the full year statutory accounts package prior to its release. However, the Company does not anticipate any material variation from the numbers contained in the Appendix 4E."

5. The Trust's 2009 Annual Report ("Annual Report 2009") lodged with ASX on 23 September 2009.
6. Page 7 of the Annual Report 2009 advised the following,

"As a consequence of the latest valuation of the group's Coonawarra properties due to adverse conditions in the wine industry the Trust and its subsidiary CPV Wines Limited were in breach of their Interest Coverage Ratio and Loan Value Ratio bank covenants. As a result the group's long term loans have been reclassified to current liabilities and various options are being considered with the bank to comply with the covenants."

Australian Securities Exchange

Australian Stock Exchange
 Sydney Futures Exchange

Australian Clearing House
 SFE Clearing Corporation

ASX Settlement and Transfer Corporation
 Austraclear

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7. The Trust's Balance Sheet as at 30 June 2009 set out in the Annual Report 2009 showed that the Trust had Current Borrowings of \$10,758,549 and Non-Current Borrowings of \$17,502.
8. The announcement ("Announcement") lodged with ASX on 10 November 2009 entitled "Breach of Banking Covenants Update".
9. The Announcement advised the following,

"As stated in the Annual Report 2009 issued 23 September 2009 by Coonawarra Australia Property Trust due to the devaluation of its vineyards the Trust and CPV Wines Ltd had breached certain banking covenants (the Loan Valuation Ratio was breached as well as the interest coverage ratio) following the receipt of formal valuations after year end.

Following discussions and correspondence with the bank, the finance facilities in the Annual Report 2009 due to the breach were reclassified to current liabilities as the finance facility became repayable on demand (unless the debt is reduced or top up security provided). The bank has not demanded repayment but has reserved its rights. The security for the facility is a registered first mortgage over the vineyard and a fixed and floating charge over all assets and undertakings of the Trust.

The Trust is continuing discussions with its bank to restructure its debt facility so that its financial covenants are more consistent with the financial performance of the business going forward. The Trust believes that net cash flows will allow the reduction in the level of debt by 30 November 2009 to partially address the Loan to Valuation Ratio and the Trust will continue to actively work with the Bank to ensure the continued availability of a finance facility appropriate to the needs of the Trust and its present operations and assets."

As you are aware, listing rule 3.1 requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities," to immediately tell ASX that information. The exceptions to this requirement are set out in listing rule 3.1A.

I wish to draw your attention to the definition of "aware" in chapter 19 of the listing rules, which says as follows:

"an entity becomes aware of information if a director or executive officer (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."

In addition paragraph 18 of Guidance Note 8 states:

"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Furthermore, ASX Companies Update 02/08 states:

"Where a listed entity has in place or enters into new material financing arrangements or alters existing material financing arrangements which include terms that may be activated upon the occurrence of certain events (particularly those beyond the control of the entity, such as market events), disclosure may be required under Listing rule 3.1 at the time that any such term is activated or becomes likely to be activated. The disclosure required may include the nature and terms of the arrangements, the trigger event, and any other material information such as any impact that triggering of the term may have on the entity's relationship with its bankers, or financial position or financial performance. It may also be appropriate in some circumstances for the entity to request a trading halt if the entity is unable to immediately release the information."

Having regard to the above, ASX requests that the Trust respond to the following questions.

1. When did the Trust agree to the terms of its banking covenants?
2. What are the terms of the Trust's banking covenants?
3. What measures does the Trust have in place to monitor its banking covenants?
4. Is it reasonable to assume that the Trust would have been in a position to determine whether it had breached its banking covenants at the time the PFR was lodged with ASX, given that the PFR disclosed the Trust's audited accounts?
5. If the answer to question 4 is "yes", please advise why the Trust did not disclose the breach of its banking covenants at the time the PFR was lodged with ASX?
6. If the answer to question 4 is "yes", please advise the basis on which the Trust advised in the PFRS that it did not anticipate any material variation in relation to the Trust's audited accounts?
7. When did discussions between the Trust and its bank(s) commence concerning the breach of the Trust's banking covenants?
8. When did the Trust first become aware that it had breached its banking covenants?
9. Does the Trust consider the breach of its banking covenants was material to the Trust?
10. If the answer to question 9, is "no", please advise the basis on which the Trust does not consider the breach of its banking covenants to be material.
11. Your comment is sought on whether the Trust is in compliance with the listing rules and, in particular, listing rule 3.1.

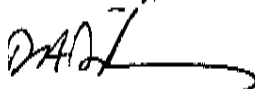
Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter. If the information requested by this letter is information required to be given to ASX under listing rule 3.1, your obligation is to disclose the information immediately.

Your response should be sent to me by facsimile on facsimile number (08) 8216 5099. Your response should not be sent to the Company Announcements Office. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible, and in any event, not later than 3.00 p.m. CDST on 16 November 2009.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Trust's response to the market if it considers it necessary for an informed market. Accordingly, it would be appreciated if you would prepare your response in a format suitable for release to the market and separately address each of the questions asked.

If you have any concerns about release of your response, or any queries in relation to this matter, please contact me immediately.

Yours sincerely,



Dion Silvy
Senior Adviser, Issuers (Adelaide)

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