

25 November 2009

Coonawarra Australia Property Trust 2009 Annual General Meeting – Chairman’s Address

Coonawarra Australia Property Trust will today address unitholders at its Annual General Meeting to be held in Adelaide, commencing at 11 am.

A copy of the Address to be delivered by Coonawarra Australia Property Trust chairman, Paul Miller is attached.

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Coonawarra Australia Property Trust 2009 Annual General Meeting Chairman's Address

Paul Miller

WELCOME

Good morning Ladies and Gentlemen and welcome to the 2009 Coonawarra Australia Property Trust Annual General Meeting.

2009 IN REVIEW

The challenges faced by the wine industry in 2009 were many and the outlook for 2010 is disappointing with the recent report "Statement to the Industry" issued by the Winemakers Federation of Australia, Wine Grape Growers Australia, The Australian Wine and Brandy corporation and The Grape and Wine Research and development Corporation painting a bleak picture of the wine industry. The key points from that report are that:

- Domestic and Export sales have fallen
- 20% of bearing vines in Australia are surplus to requirements
- 17% of vineyard capacity is uneconomical
- Many vineyards and regions considered uneconomic for C and D grade fruit.

Grape prices continue to fall and these prices are below the economic cost of production.

The number of vineyards and processing facilities available for sale as part of an industry wide rationalization has also put pressure on the price of vineyards. Constellation announced the sale of 23 vineyards and 3 wineries in 2008 and Fosters announced the sale of 36 non-core vineyards and 3 wineries in February 2009.

The Board continues to monitor the industry conditions particularly as the Trust is getting closer to 2012/2013 when the Licence fees from Growers of the Coonawarra Premium Vineyards Project come to an end.

The trust will continue to receive a rental stream from the Growers until 2012/2013. The annual valuation of the vineyard stated a value at \$13.5 million down \$2.5 million from the 2008 valuation. This valuation took into account the rental stream – if the vineyard was valued without the rental stream a further reduction applies of \$3 million to give a value of only \$10.5 million. The devaluation is symptomatic of the very difficult conditions in the wine industry.

The trust now has a 77.3% interest in CPV Wines up from 62.8% following a rights issue it underwrote in July 2008. CPV Wines owns the vineyard alongside the Trust vineyard. The CPV Wines vineyard has also suffered a devaluation in its vineyard falling from \$4.25 million to \$3.5 million. The CPV Wines result disclosed a loss before income tax of \$1,019,265 compared to \$1,090,784 for 2008 and continues to be a disappointing performance - and is unlikely to turnaround unless there is a significant increase in grape prices and underlying demand for grapes.

CAPT Annual General Meeting, 2009

The Trust also has a 45.3% interest in Prince Hill Wines Ltd. The trading performance of PHW also is disappointing however the trading losses have reduced following the sale of the joint venture marketing company to Watson Wine Group during the year. The sale of the winery and vineyard at Mudgee on an installments basis for \$5.5 million is still progressing and the final installment is due on 18 February 2010. Coonawarra Australia Property Trust agreed to provide a secured interest bearing loan to the purchaser to fund the first purchase installment which was due for repayment on 8 October and has now agreed to accept a transfer of land to satisfy the debt. The transfer of land is subject to the completion of formal documentation.

The Trust has breached its lending covenants and in a letter of 2 September the bank reserved its rights in relation to the breaches. Consequently, long term debt was reclassified to short term debt in the final annual accounts. Various discussions and meetings have been held with the bank discussing proposals to address the covenant breaches.

As stated in the Trust announcements of 10 November and 17 November the Trust is continuing discussions with the 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.

OVERVIEW OF RESULTS

As a consequence of many negative factors in 2009, the net result for the year was a loss of \$3,710,530 with approximately \$1,600,000 of the loss contributed by Prince Hill Wines and CPV Wines. Vineyard impairment of \$2.6 million was also a major factor affecting this poor result.

THE FUTURE

Prince Hill Wines has been unable to stem its trading losses and bring the company closer to an acceptable result for shareholders. The directors of Prince Hill Wines have undertaken to continue to strive to contain the losses and collect the monies on the sale of the winery and vineyard at Mudgee. The Trust will also continue to review the financial performance of Prince Hill Wines and seek to minimize its impact on the Trust's financial performance and will examine its future direction as the settlement of the sale of the winery and vineyard gets closer.

CONCLUSION

In closing I thank my fellow Board members for their commitment and support.

Finally I would like to thank all of you, our unitholders, for your continued support.

It is really a challenging time for Coonawarra Australia Property Trust and the wine industry overall.