

9 August 2007

Coonawarra Premium Vineyards Limited
235 Glen Osmond Road
FREWVILLE SA 5063

CPV Wines Limited
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Dear Sirs

TARGET'S STATEMENT BY CPV WINES LIMITED

**In relation to the offer by
Coonawarra Premium Vineyards Limited (ACN 086 944 265) as responsible entity for
Coonawarra Australia Property Trust (ARSN 104 335 159) ("Bidder")**

**to acquire all the ordinary shares in
CPV Wines Limited (ACN 094 489 639) ("Target")**

The Target's Statement dated 9 August 2007 for the off market takeover referred to above is attached to this letter and is hereby delivered to the Bidder.

We confirm that the Target's Statement was lodged with the Australian Securities and Investments Commission today and will be mailed to CPV Wines Ltd shareholders on 10 August 2007.

Yours Faithfully

CHARLIE LATHAM
Company Secretary

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CPV WINES LIMITED

TARGET'S STATEMENT

by

CPV Wines Limited
(ABN 96 094 489 639)

in relation to the offer by

COONAWARRA PREMIUM VINEYARDS LIMITED (ACN 086 944 265)
as responsible entity for
COONAWARRA AUSTRALIA PROPERTY TRUST (ARSN 104 335 159) (CPVL)

TO ACQUIRE ALL OF YOUR SHARES IN CPV WINES LIMITED

CPV Wines Independent Directors Recommend That You

ACCEPT

CPVL's Offer in the absence of a superior proposal

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you do not understand it or are in doubt as to how to act, you should consult your lawyer, accountant, stockbroker or financial adviser immediately.

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Important information

This Target's Statement is dated 9 August 2007 and is given under section 638 of the Corporations Act by CPV Wines in response to the Bidder's Statement dated 13 July 2007 and served on CPV Wines by CPVL on 13 July 2007.

A copy of this Target's Statement has been lodged with the Australian Securities and Investments Commission (**ASIC**). Neither ASIC nor any of its officers take any responsibility for the content of this Target's Statement.

The recommendations of the CPV Wines Independent Directors obtained in this Target's Statement do not take into account the individual investment objectives, financial situation or particular needs of each CPV Wines Shareholder. You may wish to seek independent professional advice before making a decision as to whether to accept or not to accept the Offer.

Various defined terms are used in this Target's Statement. Unless the contrary intention appears, the context requires otherwise, or words are defined in section 6 of this Target's Statement, words and phrases in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

Key points

- CPVL is offering \$18.00 for each of your CPV Wines Shares.
- The Independent Directors consider that CPVL's Offer for your CPV Wines shares is fair and reasonable and recommend that, in the absence of a superior offer, you **ACCEPT** the offer.
- DMR Corporate, an independent expert, has concluded that the Offer is fair and reasonable.
- Unless extended or withdrawn beforehand, CPVL's Offer will expire on 23 August 2007.

Key dates

Date of CPVL's Offer	13 July 2007
Date of this Target's Statement	9 August 2007
End of CPVL's Offer Period (unless Offer extended or withdrawn)	23 August 2007

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Independent Director's Letter

9 August 2007

Dear Shareholder

On 27 June 2007 CPVL announced a takeover bid for CPV Wines Limited. The Bidder's Statement was dispatched to Shareholders on 19 July 2007.

CPVL's Offer valued a CPV Wines Share at \$18.00.

The Independent Directors of CPV Wines recommend the Offer, in the absence of a superior offer. The recommendation is based on a number of factors, including the following:

1. The Offer provides CPV Wines Shareholders with the opportunity to realise the benefit from the Company's wholly owned vineyard sooner than if the Company continued as a grape grower.
2. DMR Corporate, an independent expert, has concluded that CPVL's Offer is fair and reasonable.
3. The Offer represents a small premium on the value of net assets.

When assessing whether to accept the Offer you should read the Target's Statement in its entirety.

You should also consider the taxation implications of the Offer, which are outlined in section 5.1 of this Target's Statement.

To accept the Offer you should carefully follow the instructions in the Bidder's Statement. The Offer is due to close on 23 August 2007.

If you have any questions in relation to the Offer I encourage you to seek either financial or legal advice without delay.

Yours faithfully



John Whitehead
Director

1. THE INDEPENDENT DIRECTORS' RECOMMENDATION

Summary of the reasons to ACCEPT

The Independent Directors recommend that, in the absence of a superior proposal, you accept CPVL's Offer.

In making this recommendation, the Independent Directors have considered the merits of CPVL's Offer and weighed up the factors for and against acceptance. Mr Mark Leaker (a Perth-based solicitor) was appointed as a director of CPV Wines on 7 August 2007 to ensure there is a quorum of Independent Directors on the board to consider and approve this Target's Statement.

The key considerations in favour of accepting the Offer are:

Fair price to CPV Wines Shareholders

The price being offered by CPVL values a CPV Wines Share at \$18, representing a small premium on the value of net assets.

DMR Corporate concludes that CPVL's Offer is fair and reasonable

DMR Corporate, an independent expert, has concluded that the Offer is fair and reasonable. A copy of that report is in Annexure A to this Target's Statement.

CPV Wines Directors are unaware of a superior offer

The Directors of CPV Wines are not aware of any superior offer that may be made to Shareholders.

Potential for dilution

The continued operation of CPV Wines' vineyard will require additional finance through equity or debt or a combination of both. Depending on market conditions at the time, CPV Wines may not be able to raise the necessary capital on acceptable terms and any required capital raisings could result in a substantial dilution of existing Shareholders' interests.

No brokerage

Shareholders will not incur any brokerage or other transaction costs in accepting the Offer.

Potential disadvantages if you do not accept

CPVL may become a controlling Shareholder in CPV Wines. This may have several adverse consequences for CPV Wines' minority Shareholders including that the market for CPV Wines Shares will be less liquid and/or less active, potentially making it more difficult to sell your CPV Wines Shares in the future.

2. YOUR CHOICES AS A CPV WINES SHAREHOLDER

As at the date of this Target's Statements CPV Wines Shareholders have the following choices available in respect of the Offer:

2.1 Accept the Offer

CPV Wines Shareholders may choose to accept the Offer. CPV Wines' Independent Directors unanimously recommend that Shareholders accept CPVL's Offer in the absence of a superior proposal.

You will receive \$18.00 cash per Share if you accept CPVL's Offer.

The consequences of accepting CPVL's Offer are set out in clause 11 of the Bidder's Statement.

In particular, if you accept the Offer, you will give up your right to sell your Shares to anyone else, or accept any superior proposal that may emerge.

Further, you will only have limited rights to withdraw your acceptance. You may withdraw your acceptance if CPVL varies the Offer in a way that postpones, for more than one month, the time by when CPVL has to meet its obligations under the Offer, and the Offer remains conditional.

As explained in section 4.8, Shareholders who have accepted the Offer will still be entitled to any improvement in Offer Price by CPVL under its takeover bid.

Shareholders who accept the Offer will not incur any brokerage charge.

Clause 9 of the Bidder's Statement contains details of how to accept the Offer.

2.2 Do nothing

Shareholders who do not wish to accept CPVL's Offer should do nothing.

Shareholders should note that if CPVL acquires:

- 90% of CPV Wines' Shares, it will be entitled to compulsorily acquire the Shares that it does not already own (see section 4.10 for further details); or
- more than 50% but less than 90% of CPV Wines' Shares, and the other defeating conditions of the Offer are either satisfied or waived, Shareholders who do not accept the Offer will become minority Shareholders in CPV Wines which in those circumstances is controlled by CPVL (see section 3.2 in relation to minority ownership consequences).

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3. **IMPORTANT INFORMATION FOR CPV WINES SHAREHOLDERS TO CONSIDER**

3.1 **CPVL's Offer**

CPVL is offering \$18.00 cash for each CPV Wines Share you hold.

More detailed information regarding CPVL's Offer is contained in section 4 of this Target's Statement.

CPVL's Offer is open for acceptance until 23 August 2007, unless it is extended or withdrawn (sections 4.4 and 4.5 describe the circumstances in which CPVL can extend or withdraw its Offer).

3.2 **Minority ownership consequences**

CPVL's Offer is not conditional on CPVL obtaining a relevant interest in a minimum percentage of CPV Wines Shares, nor a minimum voting power, during or at the end of the Offer period. Accordingly, Shareholders who do not accept the Offer may remain minority Shareholders in CPV Wines. This has a number of possible implications, including:

- CPVL will be in a position to cast the majority of votes at a general meeting of CPV Wines. This will enable it to control the composition of CPV Wines' Board of Directors and senior management and control the strategic direction of the businesses of CPV Wines and its subsidiaries;
- the liquidity of CPV Wines Shares may be lower than at present;
- CPV Wines has not paid a dividend to Shareholders since incorporation. As a grape grower, the Independent Directors consider it unlikely that CPV Wines will pay dividends in the foreseeable future if the Company continues as a stand alone entity with its current business composition; and
- if CPVL acquires 75% or more of the CPV Wines Shares it will be able to pass a special resolution of CPV Wines. This will enable CPVL to, among other things, change CPV Wines' constitution.

3.3 **Independent Directors' recommendation**

After taking into account each of the matters in this Target's Statement and in the Bidder's Statement, each of the Independent Directors (Mr Whitehead and Mr Leaker) recommend that you accept the Offer of \$18.00 in cash for each of your CPV Wines Shares, in the absence of a superior proposal. Mr Watson and Mr Miller, who are also directors of CPVL, did not consider CPVL's Offer, and therefore abstained from providing any recommendation in relation to the Offer.

In considering whether to accept the Offer, the Independent Directors encourage you to:

- read the whole of this Target's Statement;
- have regard to your individual circumstances, financial position and needs;
- ensure you understand the consequences of accepting CPVL's Offer, as noted in section 4.6;
- consider the alternatives noted in section 2; and
- obtain financial and taxation advice from your broker or financial adviser on the effect of this Offer if you are in any doubt as to what to do.

3.4 Intentions of the Directors in relation to the Offer

Each director of CPV Wines who has a relevant interest in CPV Wines Shares presently intends to accept the Offer in relation to these Shares, in the absence of a superior proposal.

Details of the relevant interests of each Director in CPV Wines are set out in section 3.6.

3.5 Independent Expert's Report

DMR Corporate was engaged by CPV Wines' Independent Directors to prepare an independent expert's report on CPVL's Offer.

An expert's report was required under s 640 of the Corporations Act because some of the directors of CPV Wines are also directors of CPVL.

The expert has concluded that the Offer is fair and reasonable in all the circumstances.

The Independent Expert's Report is set out in full in Annexure A to this Target's Statement.

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3.6 Directors' interests in CPV Wines

Name of Shareholder	Number of CPV Wines Shares held	Current voting power (Total number of CPV Wines Shares on issue is 105,600)
Watson Wine Group Pty Ltd	32,000	30.30%
Leed Capital Pty Ltd	3,400	3.22%
Alandenn Nominees Pty Ltd *	5,000	4.73%
Coonawarra Vineyard Management Services Pty Ltd	1,900	1.79%
* a company associated with John Whitehead a director of CPV Wines		
Total	42,300	40.04%

Mr Rex Leigh Watson is a director of CPV Wines. He is also a director of Coonawarra Vineyard Management Services Pty Ltd (**CVMS**), Watson Wine Group Pty Ltd (**WWG**) and Leed Capital Pty Ltd (**Leed**). CVMS is 100% owned by WWG which in turn is 100% owned by Jeanette Lee Watson (as trustee for the Watson Children's Trust). Leed is also 100% owned by Jeanette Lee Watson (as trustee for the Watson Children's Trust). Mr Watson is an income beneficiary of the Watson Children's Trust.

John Whitehead has a relevant interest in Shares held by Alandenn Nominees Pty Ltd.

As mentioned above, each director of CPV Wines who has a relevant interest in CPV Wines Shares presently intends to accept the Offer in relation to these Shares, in the absence of a superior proposal. Accordingly, each of the entities listed above will receive \$18.00 per share under the Offer if it becomes unconditional.

3.7 Transactions in CPV Wines

There have been no acquisitions or disposals of marketable securities of CPV Wines, by CPV Wines, or any director or associate of a director of CPV Wines, in the period of four months immediately preceding the date on which the Bidder's Statement was served on CPV Wines (13 July 2007).

3.8 No benefits to Directors

No benefit (other than a benefit permitted under sections 200E or 200F of the Corporations Act) is proposed to be given to a CPV Wines Director (or anyone else) in connection with the Director's retirement as a director or executive of CPV Wines.

3.9 Other agreements or arrangements with CPV Wines Directors

There is no other agreement or arrangement made between a Director of CPV Wines and any other person in connection with or conditional upon the outcome of the Offer.

3.10 No benefits or agreements

As a result of the Offer, no person has been or will be given any benefit (other than a benefit that can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of CPVL or related body corporate of CPVL.

There are no agreements between any director of CPVL and any other person in connection with, or conditional on, the outcome of the Offer other than in their capacity as a holder of Shares.

4. FURTHER INFORMATION ABOUT THE OFFER

4.1 Conditions of the Offer

CPVL's Offer is subject to a number of defeating conditions. Those conditions are set out in full in clause 12 of the Bidder's Statement. The conditions include:

- the Bidder obtaining an independent valuation of the CPV Wines Vineyard on or before the close of the relevant offer period, in which the Vineyard is valued at not less than \$4,500,000;
- no action by a government agency adversely affecting CPVL's Offer;
- no prescribed occurrence event (set out in clause 12.1.2(h) of the Bidder's Statement) occurs in relation to CPV Wines (or its subsidiaries for certain events);
- no material acquisitions, disposals or changes in the conduct of CPV Wines' business.

4.2 Likelihood of defeating conditions being satisfied

As at the date of this Target's Statement, CPV Wines is not aware of any act, omission, matter, event or fact that would result in the breach or non-fulfillment of a condition of CPVL's Offer.

Shareholders should be aware that CPVL has confirmed that the condition dealing with the independent valuation of the CPV Wines Vineyard in clause 12.1.2(a) of CPVL's Bidder's Statement has been satisfied. A copy of the CPV Wines Vineyard valuation is set out in full in Annexure B to this Target's Statement.

The Independent Directors consider that the remaining Offer conditions are likely to be satisfied.

4.3 Notice of Status of Conditions

Clause 12.4 of the Bidder's Statement indicates that CPVL will give a Notice of Status of Conditions to the ASX and CPV Wines on 6 August 2007. This date was automatically extended to 16 August 2007 when CPVL extended its Offer Period. CPVL is required to set out in its Notice of Status of Conditions:

- whether the Offer is free from any or all defeating conditions;
- whether, so far as CPVL knows, any of the conditions have been satisfied; and
- CPVL's voting power in CPV Wines.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, CPVL is required, as soon as practicable after the extension, to give a notice to the ASX that states the new date for the Notice of Status of Conditions to be given.

If a condition is satisfied (so that the Offer becomes free of that condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, CPVL must, as soon as practicable, give the ASX a notice that states that the particular condition has been satisfied.

4.4 Extension of the Offer Period

Unless CPVL's Offer is extended or withdrawn, it is open for acceptance until 23 August 2007.

CPVL may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 4.3) while the Offer is subject to defeating conditions. However, if the Offer is unconditional (that is, all the conditions have been satisfied or waived), CPVL may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period:

- CPVL improves the Offer Price under the Offer;
- the Offer Price is taken to be increased under section 651A(2) of the Corporations Act because CPVL purchases CPV Wines Shares outside the Offer for a cash price higher than the consideration offered; or
- CPVL's voting power in CPV Wines increases to more than 50%.

If any of these three events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

4.5 Withdrawal of Offer by CPVL

CPVL may not withdraw its Offer to you if you have already accepted it. Before you accept the Offer, CPVL may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

4.6 Effect of acceptance

You will only have limited rights to withdraw your acceptance.

You may withdraw your acceptance if CPVL varies the Offer in a way that postpones, for more than one month, the time when CPVL has to meet its obligations under the Offer. This will occur if CPVL extends the Offer Period by more than one month and the Offer is still conditional.

The effect of acceptance of CPVL's Offer is set out in clause 11 of the Bidder's Statement. You should read these provisions in full to understand the effect that acceptance will have on your ability to exercise the Rights attaching to your CPV Wines Shares, and representations and warranties that you give by accepting the Offer.

CPV Wines' major asset is the vineyard which has some potential and upside for an increase in value should grape prices increase and the present industry oversupply, in which Shareholders who accept CPVL's Offer will not participate. However, this has to be weighed against the dilution which is likely to occur if CPV Wines remains an independent company and raises working capital to fund the operation of the vineyard through further equity raisings.

Except in the limited circumstances provided for in the Corporations Act, accepting CPVL's Offer will preclude Shareholders from accepting a superior bid from a third party, should one emerge during the Offer Period. As at the date of this Target's Statement, CPV Wines' Directors are not aware of a proposal by anyone to make a superior bid.

4.7 When you will be paid if you accept the Offer

In the usual case, you will be paid on the earlier of:

- one month after the Offer is validly accepted by you, or if the Offer is subject to a defeating condition when accepted, within one month after this Offer (or the contract resulting from your acceptance of this Offer) becomes unconditional; and
- 21 days after the end of the offer Period, provided that the Offer has become unconditional.

However, there are certain exceptions to the above timetable for the timing of payment.

Full details of when you will be paid are set out in clause 13 of the Bidder's Statement.

4.8 Effect of an improvement in Offer Price on Shareholders who have already accepted the offer

If CPVL improves the Offer Price under its takeover bid, all CPV Wines Shareholders who accept the Offer, whether or not they have accepted the Offer before that improvement in Offer Price, will be entitled to that improved Offer Price.

CPV Wines Shareholders should be aware that if they accept CPVL's Offer they will not be able to accept any superior proposal from another bidder which may emerge (except in limited circumstances).

4.9 **Lapse of Offer**

The Offer will lapse if the Offer conditions are not satisfied or waived by the end of the Offer Period. In this case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your CPV Wines Shares as you see fit.

4.10 **Compulsory acquisition**

4.10.1 **Compulsory acquisition following takeover**

CPVL has indicated in clause 5 of its Bidder's Statement that if it satisfies the required thresholds it intends to compulsorily acquire any outstanding CPV Wines Shares.

CPVL will be entitled to compulsorily acquire any CPV Wines Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period CPVL and its associates have a relevant interest in at least 90% of the CPV Wines Shares.

If this threshold is met, CPVL will have one month after the end of the offer Period within which to give compulsory acquisition notices to CPV Wines Shareholders who have not accepted the Offer. CPV Wines Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Shareholder to establish to the satisfaction of a Court that the terms of the Offer do not represent "fair value" for their CPV Wines Shares.

If compulsory acquisition occurs, CPV Wines Shareholders who have their CPV Wines Shares compulsorily acquired are likely to be paid approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

4.10.2 **Compulsory acquisition by 90% holder**

Alternatively, it is also possible that CPVL will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the shares. CPVL would then have rights to compulsorily acquire Shares not owned by it within six months of becoming the holder of 90%. An independent expert would need to consider and provide a report on the price to be paid by CPVL to CPV Wines Shareholders under this procedure.

5. GENERAL INFORMATION

5.1 Taxation consequences of accepting the Offer

A general outline of the Australian taxation considerations of accepting the Offer is set out in clause 16 of the Bidder's Statement. The taxation consequences of accepting the Offer depend on a number of factors and will vary according to your particular circumstances.

You should carefully read and consider the taxation consequences of accepting the Offer. The outline provided in the Bidder's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

5.2 Effect of takeover on CPV Wines' material contracts

To the best of CPV Wines' knowledge, none of the material contracts to which CPV Wines is a party contain change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of CPV Wines.

5.3 Material litigation

As at the date of this Target Statement, the Directors were not aware of any pending litigation claims against the Company or its subsidiaries.

5.4 Issued capital

As at the date of this Target's Statement, CPV Wines' issued capital consisted of 105,600 Shares.

5.5 Consents

This Target's Statement contains statements made by, or statements said to be based on statements made by, CPV Wines' Independent Directors. Each of CPV Wines' Independent Directors have consented to the inclusion of each statement they have made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Target's Statement.

This Target's Statement contains statements made by, or statements said to be based on statements made by, DMR Corporate, and an independent expert's report prepared by DMR Corporate. DMR Corporate has consented to the inclusion of each statement it has made in the form and context in which the statements appear, has consented to the inclusion in the Target's Statement of its independent expert's report, and has not withdrawn that consent at the date of this Target's Statement.

This Target's Statement contains statements made by, or statements said to be based on statements made by, Gaetjens Pickett Valuers, and a valuation prepared by Gaetjens Pickett Valuers. Gaetjens Pickett Valuers has consented to the inclusion of each statement it has made in the form and context in which the statements appear, has consented to the inclusion in the Target's Statement of its valuation, and has not withdrawn that consent at the date of this Target's Statement.

5.6 No other material information

There is no other information that Shareholders or their professional advisers would reasonably require to make an informed assessment on whether to accept the Offer, being information which:

5.6.1 is reasonable for Shareholders and their professional advisers to expect to find in this Target's Statement; and

5.6.2 is known to any of CPV Wines' Directors.

In deciding what information should be included in this Target's Statement, CPV Wines' Directors have had regard to, amongst other things, the matters which Shareholders (or their professional advisers) may reasonably be expected to know, including information contained in documents previously sent to Shareholders and information available from public sources such as the ASX or ASIC.

5.7 Further Developments

Should there be any developments during the Offer Period (for example, the emergence of a superior offer from CPVL or another bidder) which would alter the Directors' recommendations in relation to CPVL's Offer, Shareholders will be notified through a supplementary Target's Statement.

5.8 Authorisation



Signed in accordance with a resolution of the Independent Directors

6. **GLOSSARY**

In this Target's Statement, unless a contrary intention appears, the following expressions have the following meanings:

ASIC means the Australian Securities and Investment Commission;

ASX means ASX Limited;

Bidder's Statement means the bidder's statement of CPVL dated 16 July 2007, which was served on CPV Wines on 16 July 2007.

Board means the board of Directors;

Corporations Act or **Act** means the *Corporations Act 2001* (Cth);

CPVL means Coonawarra Premium Vineyards Limited (ACN 086 944 265);

Director means a director of CPV Wines;

Independent Director means a Director other than Rex Watson or Paul Miller;

Notice of Status of Conditions means CPVL's notice disclosing the status of the conditions to the Offer which is required to be given by subsection 630(3) of the Corporations Act;

Offer or **CPVL's Offer** means the offer dated 13 July 2007 made by CPVL to acquire all of the Shares on the terms set out in the Bidder's Statement;

Offer Period means the period during which the Offer will remain open for acceptance;

CPV Wines or **Company** means CPV Wines Limited (ABN 96 094 489 639);

CPV Wines Shares or **Shares** means fully paid ordinary shares in CPV Wines;

Shareholder or **CPV Wines Shareholder** means a person registered as a member of CPV Wines;

Target's Statement means this target's statement;

Vineyard means the CPV Wines vineyard located at Coonawarra, South Australia being the whole of the land comprised in Certificate of Title Volume 5769 Folio 337.

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ANNEXURE A – Independent Expert’s Report

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INDEPENDENT EXPERT'S REPORT and FINANCIAL SERVICES GUIDE

PART 1 – INDEPENDENT EXPERT'S REPORT

9 August 2007

The Directors
CPV Wines Limited
235 Glen Osmond Road
Frewville SA 5063

Dear Sirs

1. Introduction

You have requested DMR Corporate Pty Ltd (“DMR Corporate”) to prepare an independent expert's report in respect of an off-market takeover offer by Coonawarra Premium Vineyards Limited (“CPVL”) to acquire all of the shares in CPV Wines Limited (“CPV Wines” or “the Company”).

Our report has been commissioned to assist the CPV Wines shareholders in forming an opinion as to whether they should accept or reject the CPVL offer. The report is to be included as an Appendix to the Target's Statement to be issued to shareholders by CPV Wines.

CPVL is the responsible entity for the Coonawarra Australian Property Trust (“the Trust”). The custodian of the Trust is Australian Executors Trustee (SA) Limited (“the Custodian”).

2. Terms of the CPVL Takeover Offer

2.1 Terms of the Offer

On 13 July 2007 CPV Wines received a Bidder's Statement from CPVL. Pursuant to the Bidder's Statement CPVL is offering \$18.00 cash for each CPV Wines share (“the Offer”).

CPVL does not presently hold any shares in CPV Wines and consequently the Offer is for all 105,600 shares that CPV Wines has currently on issue.

2.2 Conditions of the Offer

The Offer is subject to a number of conditions that are detailed in Section 12.1 of the Bidder's Statement. The key conditions include:

- an independent valuation of the vineyard owned by CPV Wines of not less than \$4,500,000. This valuation is to be prepared during the Offer period;

- there must be no change, event or condition occurring that has had or is reasonably likely to have, a material adverse effect on CPV Wines;
- CPV Wines does not issue shares or options over its shares; and
- CPV Wines does not dispose of the whole or substantial part of its business or property.

The Offer is for all shares held by each shareholder and consequently shareholders will not be able to accept the Offer for only part of their CPV Wines shareholding.

The Offer does not contain any minimum level of acceptances and therefore all shareholders accepting the Offer will have their shares transferred to the Custodian of the Trust, subject to satisfaction or waiver of the conditions.

3. Summary Opinions

In our opinion, the Offer made to the CPV Wines shareholders is fair and reasonable.

Our principal reason for reaching the above opinion is that we have valued CPV Wines shares in the range of \$12.55 to \$15.13 and the CPVL offer of \$18.00 per share is above our valuation range.

We have also concluded that the Offer is reasonable as the advantages of accepting the Offer outweigh both the disadvantages of accepting the Offer and the advantages and disadvantages of rejecting the Offer.

4. Structure of this Report

The remainder of Part 1 of this report is divided into the following sections:

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5. Purpose of the Report

Section 640 of the Corporations Act 2001 (“the Act”) states that a Target’s Statement made in response to a takeover offer must be accompanied by an independent expert’s report if:

- the bidder’s voting power in the target is 30% or more; or
- a director of the bidder is also a director of the target company.

In this case, CPVL does not have an interest in CPV Wines, however Messrs. Paul H. Miller and Rex L. Watson, who are both Directors of CPV Wines, are also Directors of CPVL.

As two of the Directors of CPVL are also Directors of CPV Wines, there is a statutory requirement for the Directors of CPV Wines to commission an independent expert’s report in relation to the CPVL Offer. The Board of Directors of CPV Wines have requested that DMR Corporate prepare an independent expert’s report pursuant to Section 640 of the Act. The report is to set out whether, in DMR Corporate’s opinion, the takeover offer is fair and reasonable and give the reasons for forming that opinion.

Australian Securities and Investments Commission (“ASIC”) Policy Statement 75 defines the words “fair” and “reasonable” as:

- | | | |
|------------|---|--|
| Fair | - | “an offer is “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer.” |
| Reasonable | - | “an offer is “reasonable” if it is fair. It may also be “reasonable” if, despite not being “fair” but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.” |

The methodology that we have used to form an opinion as to whether the Offer is fair and reasonable, can be summarised as follows:

- (i) In determining whether the Offer is fair, we have:
 - valued CPV Wines and determined the value of one CPV Wines share; and
 - compared the value of one CPV Wines share with the cash Offer of \$18.00 per share.
- (ii) In determining whether the Offer is reasonable, we have analysed the advantages and disadvantages of accepting the Offer and not accepting the Offer.

6. CPV Wines - Key Information

6.1 Background

CPV Wines was incorporated as CPV Land Holdings Pty Ltd on 14 September 2000. The Company changed its status from a proprietary company to a public company on 27 March 2001 and it adopted its current name on 7 February 2006.

The Company’s principal activity up to 31 January 2006 was to make land available to licensees under a 15 year licence agreement to grow wine grapes as members of the Coonawarra Premium Vineyards Project No.2 (“the Project”). Upon the expiry of the licences on 31 January 2006, ownership of the vineyard improvements vested in CPV Wines.

Under the terms of the licence agreement, the members of the Project were entitled to establish and grow wine grapes on 74 hectares of the land held by the Company. Upon expiry of the licence, ownership of improvements to the land was to vest in the Company. The balance of 8 hectares has been developed by the Company for its own account.

The development of the Project property was carried out as part of a Managed Investment Scheme (the Scheme) under the Corporations Act 2001. The structure of the Scheme resulted in the Company being the legal and beneficial owner of the land. The development of the land into a vineyard was funded by the grower participants in the Scheme (the Growers) pursuant to a prospectus issued in April 2001. The Growers beneficially owned the grapevines but the grapevines are legally part of the land and therefore owned by the Company. A lease agreement between the Growers and the Company provided income to the Company for a Grant of Use rental for the Project property.

At general meetings of CPV Wines and the Project held on 31 January 2006 the members voted to restructure the Project so that all the assets and liabilities of the Project vested in CPV Wines and to wind up the Project itself with no further obligation for Growers to pay fees or costs.

The winding up of the Project commenced on 31 January 2006 and was formally completed in May 2006.

The constitution provided for the following in relation to the Project property:

Land

The land is held for the benefit of the Shareholders. The value of the land includes the value of the water licences.

Irrigation Equipment

The irrigation equipment and other improvements were owned by the Growers until termination of the Grant of Use between the Growers and the Company, whereupon ownership reverted to the Company. The Lease and Underlease also contemplated that irrigation equipment would revert to the landowner at the end of the lease.

Trellising

The trellising was owned by the Growers but was effectively integral with the vines and irrigation system. Upon termination of the Grant of Use ownership of the trellising reverted to the Company.

CPV Wines is now the owner and operator of the vineyard property, producing grapes and bulk wine for sale. The overall property is a vineyard comprised of land, water licences, roads, 147,440 vines, trellising, irrigation equipment and other improvements. The Company has approximately 69 hectares of grapevines planted in the premium grape growing area of the Coonawarra, South Australia, with a further 12 hectares available for replanting.

Management of CPV Wines' vineyard is performed by Coonawarra Vineyard Management Services Pty Ltd pursuant to a Vineyard Management Agreement. All grapes produced are supplied to the Watson Wine Group Pty Ltd pursuant to a Grape Supply Agreement. This agreement was entered into on 9 March 2007 and operates until 31 December 2015.

CPV Wines has no employees.

6.2 Share Capital

As at 30 June 2007, CPV Wines had on issue 105,600 fully paid ordinary shares.

The major shareholders of CPV Wines on 30 June 2007 are presented in Appendix A and as at that date the top 20 shareholders held 73.7% of CPV Wines' issued fully paid ordinary shares.

6.3 Operating Performance

CPV Wines' income statements for the financial years ended 30 June 2005, 2006 and 2007 are set out below:

INCOME STATEMENTS	Year Ended		
	30/6/05 Audited \$	30/6/06 Audited \$	31/6/07 Unaudited \$
Income			
Grant of use (licence) fees	118,415	-	-
Interest revenue	-	11,036	2,975
Sale of bulk wine	-	33,303	548,097
Value of grapes picked	-	138,230	483,212
Profit arising from changes in fair value of grapevines	180,054	-	1,102,924
Total Income	<u>298,534</u>	<u>182,568</u>	<u>2,137,208</u>
Expenses			
Cost of goods sold	-	(53,748)	(588,546)
Vineyard operating expenses	(187,714)	(534,465)	(607,883)
Corporate expenses	(11,343)	(54,490)	(272,831)
Corporate expenses – restructuring	(167,455)	(23,360)	(39,901)
Other expenses	-	(18,908)	(642,544)
Loss arising from changes in fair value of grapevines	-	(420,278)	-
Finance costs	(53,177)	(105,479)	(238,041)
Total Expenses	<u>(419,689)</u>	<u>(1,210,728)</u>	<u>(2,389,746)</u>
Profit/(loss) before income tax	(121,155)	(1,028,160)	(252,538)
Income tax benefit/(expense)	(13,889)	308,448	42,868
Net profit /(loss) for the year	<u>(135,044)</u>	<u>(719,712)</u>	<u>(209,670)</u>
Source: CPV Wines 30 June 2006 Annual Report and 30 June 2007 draft accounts			

It should be noted that the audited results for the year ended 30 June 2005 presented in the above table reflect CPV Wines' former land owning activity and the audited results for the year ended 30 June 2006 reflect the land owning activities up to 31 January 2006 and the current grape and wine production activities for the balance of that financial year.

6.4 Cash Flow Statements

CPV Wines' cash flow statements for the financial years ended 30 June 2005, 2006 and 2007 are attached as Appendix B.

7. Valuation of CPV Wines Shares

7.1 Net Assets

The net assets of CPV Wines as at 30 June 2006, per the audited annual report, were \$1,962,478 and the net assets as per the unaudited management accounts as at 30 June 2007 were \$1,752,807 - Appendix C.

The net assets of CPV Wines do not include any intangible assets.

We have concluded that the value of CPV Wines shares as at the date of this report, based on their net asset backing as at 30 June 2007 is approximately \$16.60 per share.

7.2 Orderly Realisation of Assets

The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets or business segments on the basis of an assumed orderly realisation. Consequently, this method may ignore the ability of the asset base of the business to generate ongoing future earnings at a level sufficient to justify a value in excess of the value of its assets in an orderly realisation. Costs associated with the sale of the assets or business segments are deducted as part of the assessment.

CPV Wines has not been profitable in the recent past and for this reason we consider that this valuation methodology may be an appropriate methodology to use to value CPV Wines.

The major asset of CPV Wines is the vineyard, together with associated improvements and water rights. CPV Wines mandated Mr. Collin Pickett of Gaetjens Pickett Valuers to prepare a valuation of the vineyard. Mr. Pickett is a Certified Practising Valuer and his firm, Gaetjens Pickett Valuers specialises in the wine industry. DMR Corporate reviewed the letter of instructions between CPV Wines and Mr. Pickett. Mr. Pickett's valuation report dated July 2007 was addressed to DMR Corporate.

The report prepared by Mr. Pickett defines market value as:

“Market value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Mr. Pickett valued the vineyard at \$4,500,000. The property details and the valuation assumptions made by Mr. Pickett are set out in Appendix D.

Set out in Appendix E is the balance sheet of CPV Wines as at 30 June 2007, adjusted to reflect the assessed values of the Company's net assets in an orderly realisation. Appendix E reflects the value of the vineyard as determined by Mr. Pickett.

As can be seen from Appendix E we have assessed the value of the net assets of CPV Wines in an orderly realisation to be in the range of \$1,324,955 to \$1,597,807. Based on the 105,600 fully paid ordinary shares that CPV Wines has on issue, we have concluded that the value of CPV Wines shares as at the date of this report, based on the orderly realisation methodology is in the range of \$12.55 to \$15.13 per share.

7.3 Share Price History

Over the last two years there have been no significant transfers of shares between shareholders that would provide evidence as to the current market value of CPV Wines shares. Due to the changed circumstances in the Australian wine market over the past two years we have not enquired into any earlier share transactions as these would not provide any relevant evidence of the current value of CPV Wines shares.

In the absence of any relevant information we have concluded that the share price history methodology cannot be applied in valuing CPV Wines shares.

7.4 Alternate Acquirer

The value that an alternative bidder may be prepared to pay to acquire the shares is a relevant valuation methodology to be considered.

As at the date of this report, we are not aware of any actual alternative offer that CPV Wines shareholders can consider, however if an alternative offer was to eventuate then shareholders will need to evaluate it on its merits.

7.5 Earnings Based Valuation

This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits.

There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

As can be seen from CPV Wines' recent income statements set out in paragraph 6.3 above, the current business activities of CPV Wines are not profitable and we therefore consider that this valuation methodology is not an applicable methodology to value CPV Wines shares.

7.6 Net Present Value of Projected Cash Flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value of the business remaining at the end of the forecast period.

CPV Wines does not have any long-term cash flow forecasts. We have sighted a cash flow budget for the year ending 30 June 2008, which predicts that CPV Wines will have negative cash flows for that year. We have therefore been unable to complete a valuation based on this methodology.

7.7 Conclusion

The valuation methodologies that we have considered are summarised as:

VALUATION METHODOLOGY	Section	Low Per Share	High Per Share
Net assets	7.1	\$16.60	\$16.60
Orderly realisation of assets	7.2	\$12.55	\$15.13
Share price history	7.3	N/A	N/A
Alternate acquirer	7.4	N/A	N/A
Earnings based valuation	7.5	N/A	N/A
Net present value of projected cash flows	7.6	N/A	N/A

Having regard to the results of the applicable valuation methodologies, we consider that the orderly realisation methodology is the most appropriate methodology to value CPV Wines and we have accordingly valued the CPV Wines shares (excluding a premium for control) in the range of \$12.55 to \$15.13 per share.

8. Control Premium

A control premium represents the difference between the price that would have to be paid for a share to which a controlling interest attaches, and the price at which a share which does not carry with it control of the company, could be acquired.

As at the date of this report CPVL does not hold any shares in CPV Wines, and as CPVL is bidding to acquire all of CPV Wines issued shares, CPVL may acquire up to 100% of the CPV Wines' shares on issue. CPVL should therefore on a prima facie basis pay a control premium to the CPV Wines shareholders.

The major asset of CPV Wines is the vineyard. This asset was included in our orderly realisation valuation methodology at its current market value as independently assessed by Mr. Pickett, less expected selling costs. We believe that the current market value of the vineyard (\$4,500,000) represents the value that may be obtained from the sale of a 100% interest in the vineyard and for this reason no further value should be placed on this asset or on the company whose major asset is the vineyard. In our opinion the value determined in Section 7.7 above already includes a control premium.

9. Assessment as to Fairness and Reasonableness

9.1 Assessment as to Fairness

In our opinion, each CPV Wines share has a value in the range of \$12.55 to \$15.13 (Section 7.7 above), a mid point of our valuation range is \$13.84 per share.

CPVL is offering to acquire each CPV Wines share for \$18.00.

As the CPVL offer of \$18.00 per share is above our valuation range of \$12.55 to \$15.13 per share we consider that the Offer is fair.

9.2. Assessment as to Reasonableness

9.2.1 Acceptance of the Offer

Advantages

- Shareholders will dispose of their shares in CPV Wines for \$18.00 per share, which is above our valuation range of \$12.55 to \$15.13 per share. Whilst in Section 8 above we concluded that a premium for control is already factored in our valuation of CPV Wines' shares, the difference between our valuation range and the Offer price of \$18.00 per share can be viewed as a premium for control.
- CPV Wines shares are an illiquid investment as they are not listed on an exchange. The Offer provides an opportunity for shareholders to dispose of this illiquid investment.
- CPV Wines has generated negative cash flows in the recent past and we have sighted a budget prepared by management for the current financial year which indicates that cash flows will again be negative. As CPV Wines does not have any cash reserves, it will be forced to increase its borrowings and this will increase risks for shareholders. These risks will be avoided if the shareholders accept CPVL's Offer. Alternately CPV Wines will need to raise additional equity and this will dilute shareholders' existing interests in CPV Wines.

Disadvantages

- The wine industry has experienced difficult conditions over the past few years and these have reduced the values of vineyards. Mr. Pickett in his independent valuation found that CPV Wines' vineyard is "developed to a very high standard with excellent irrigation and frost control". He also found that "production consistency and fruit quality will improve as the vineyard moves to full maturity". These factors mean that in time the value of the vineyard may increase. By accepting CPVL's Offer shareholders will no longer have the opportunity to share in any future increased value of the vineyard.
- Shareholders may realise a capital gain and incur the associated income tax liability. The taxation consequences of accepting the Offer depend on a number of factors and shareholders should seek their own independent advice applicable to their particular circumstances.

9.2.2 Rejection of the Offer

Advantages

- We are not aware of any advantages of rejecting the Offer.

Disadvantages

- Shareholders may become minority shareholders in a company controlled by CPVL and will have little prospect of disposing of their shares at a fair price unless CPVL decides to make a subsequent Offer.

9.2.3 Conclusion as to Reasonableness

We have concluded that the Offer is reasonable.

9.3. Conclusion as to Fairness and Reasonableness

We have concluded that the Offer is fair and reasonable to the shareholders of CPV Wines.

We have concluded that the CPVL offer of \$18.00 per share is fair as the offer price is above our valuation range of \$12.55 to \$15.13. We have also concluded that the Offer is reasonable as the advantages of accepting the Offer outweigh both the disadvantages of accepting the Offer and the advantages and disadvantages of rejecting the Offer.

10. Declarations, Qualifications, Independence and Consent

10.1 Declarations

This report has been prepared at the request of the Directors of CPV Wines to accompany the Target's Statement. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not CPVL's Offer is fair and reasonable.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

For personal use only

10.2 Qualifications

DMR Corporate is the holder of an Australian Financial Services Licence, Number 222050 issued pursuant to Section 913B of the Act.

Mr Derek M Ryan and Mr Paul Lom, directors and authorised representatives of DMR Corporate prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Chartered Accountant and a Registered Company Auditor with more than 30 years professional experience. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

Mr Ryan has had over 35 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

10.3 Independence

At the date of this report, none of DMR Corporate, Derek M Ryan nor Paul Lom has any interest in the outcome of CPVL's Offer, or any relationship with CPV Wines, CPVL or their associates.

Advance drafts of certain factual sections of this report were provided to and discussed with senior management of CPV Wines and their advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports.

DMR Corporate will be paid a fee of approximately \$24,000 for the preparation of this report. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

10.4 Consent

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in the Target's Statement.

Yours faithfully

DMR Corporate Pty Ltd



Paul Lom
Director



Derek Ryan
Director

CPV Wines Limited

20 Largest Shareholders as at 30 June 2007

Name	Number of Fully Paid Ordinary Shares
Watson Wine Group Pty Ltd	32,000
Hester Brook Pty Ltd <A/T/F Beck Superannuation Fund>	10,000
Hester Brook Pty Ltd <Superfund A/C>	5,000
Alandenn Nominees Pty Ltd <Alandenn Superannuation Fund A/C>	5,000
Princeway Pty Ltd	4,000
Fenwick Financial Solutions Pty Ltd <A/T/F Katica Superannuation Fund>	3,600
Leeds Capital Pty Ltd	3,000
Mr. Nick Giannopoulos	2,500
Coonawarra Vineyard Management Services Pty Ltd	1,900
Mrs Nancy Cabrita	1,100
Mrs. Kim Keow See	1,100
Mr. Richard Winn	1,000
Ms Jill Laurent <A/T/F Active Hire Group Superannuation Fund A/C>	1,000
Mr. R. Reinecke & Mrs. P. Reinecke <A/T/F Hawkstone Super Fund A/C>	1,000
Mr. Mario Traviati	1,000
Mr. Perry Childs	1,000
Mrs. Kylie Gillies & Mr. Anthony Gillies	1,000
Mr. Graeme Burt	1,000
Mr. Neville Bradbury	800
Mr. Andrew Harris	800
	<u>77,800</u>
The percentage of the total holding of the twenty largest holders of ordinary shares was 73.7%	

CPV Wines Limited

Statements of Cash Flows

	Year Ended 30/6/05 Audited \$	Year Ended 30/6/06 Audited \$	Year Ended 30/6/07 Unaudited \$
Cash Flows from Operating Activities			
Receipts from customers	47,170	48,773	1,005,815
Payments to suppliers	(278,245)	(1,082,996)	(1,559,818)
Interest received	-	11,036	2,975
Interest and other costs of finance paid	(53,177)	(105,479)	(238,041)
Income tax paid	(13,043)	-	-
Net Cash From/(Used in) Operating Activities	<u>(297,295)</u>	<u>(1,128,666)</u>	<u>(789,069)</u>
Cash Flows from Investing Activities			
Payments for property, plant and equipment	-	(14,111)	(5,455)
Net Cash From/(Used in) Investing Activities	<u>-</u>	<u>(14,111)</u>	<u>(5,455)</u>
Cash Flows from Financing Activities			
Proceeds from borrowings	200,000	200,000	750,000
Net Cash From/(Used in) Financing Activities	<u>200,000</u>	<u>200,000</u>	<u>750,000</u>
Net Increase/(Decrease) in Cash Held	(97,295)	(942,777)	(44,524)
Cash at the beginning of the financial period	101,934	4,639	(938,138)
Cash at the end of the financial period	<u>4,639</u>	<u>(938,138)</u>	<u>(982,662)</u>
Source: CPV Wines 30 June 2006 Annual Report and 30 June 2007 draft accounts			

CPV Wines Limited

Balance Sheets

	Audited 30/6/05 \$	Audited 30/6/06 \$	Unaudited 30/6/07 \$
CURRENT ASSETS			
Cash	4,639	-	-
Receivables	109,215	213,067	246,017
Other	97,561	-	-
Inventories	-	563,364	-
TOTAL CURRENT ASSETS	<u>211,415</u>	<u>776,431</u>	<u>246,017</u>
NON CURRENT ASSETS			
Property, plant & equipment	2,178,903	2,417,106	2,364,182
Biological assets	1,453,172	1,032,894	2,135,818
TOTAL NON CURRENT ASSETS	<u>3,632,075</u>	<u>3,450,000</u>	<u>4,500,000</u>
TOTAL ASSETS	<u>3,843,490</u>	<u>4,226,431</u>	<u>4,746,017</u>
CURRENT LIABILITIES			
Payables	9,529	47,682	25,283
Borrowings	-	938,138	982,662
Other			
TOTAL CURRENT LIABILITIES	<u>9,529</u>	<u>985,820</u>	<u>1,007,945</u>
NON CURRENT LIABILITIES			
Borrowings	687,949	887,949	1,637,949
Deferred tax liabilities	628,189	390,184	347,316
TOTAL NON CURRENT LIABILITIES	<u>1,316,138</u>	<u>1,278,133</u>	<u>1,985,265</u>
TOTAL LIABILITIES	<u>1,325,667</u>	<u>2,263,953</u>	<u>2,993,210</u>
NET ASSETS	<u>2,517,823</u>	<u>1,962,478</u>	<u>1,752,807</u>
Source:	30 June 2006 Annual Report and 31 June 2007 draft accounts		

Property Details

Extracts from the Property Valuation prepared by Gaetjens Pickett Valuers in July 2007

The property comprises a vineyard developed in 2001 with further plantings in 2002 and 2003.

Planting details are as follows:

Variety	Area (ha)	Year
Chardonnay	5.00	2001
Sauvignon blanc	3.43	2001
Cabernet sauvignon	13.72	2001
Cabernet sauvignon	4.96	2002
Cabernet sauvignon	4.20	2003
Merlot	6.32	2001
Shiraz	13.63	2001
Shiraz	13.84	2002
Shiraz	4.00	2003
Total	<u>69.10</u>	

Our policy is to value vineyards based on net trellised or planted area, excluding perimeter headlands and access roads.

In the case of the subject property we have been supplied with planting details or plans and we believe that the above areas are reasonably accurate.

Given that the vineyard value is dependent on the planted area we reserve the right to alter our valuation should a survey or other information indicate differing areas from those above.

Since our previous valuation approximately 12 ha of merlot vines have been removed and will be replanted (probably to sauvignon blanc) later this year and next, utilising the existing trellis and irrigation.

The trellis system comprises treated pine end assemblies, intermediate pine posts, drip wire with cordon and foliage wires where required.

The planting grid is 2.75 m by 2 m giving a density of 1,818 vines per ha. All plantings are on own roots.

Supplementary watering for the vineyard is by drip irrigation. 5 bores are linked across the subject property and an adjoining vineyard run under the same management to provide fully automated and monitored drip irrigation. The irrigation systems could be split if required.

Full frost control by way of overhead flippers watering along the vine rows is also in place and this is provided by bores each with diesel motor and manual start. The irrigation bores are all operated by three phase electric pumps.

There are no other improvements on the property, all building improvements being on the adjoining vineyard project. There is a large compound on this property, which is also used by both projects.

We have not engaged a building expert or inspected unexposed or inaccessible portions of the premises. Any misgivings have been noted in our report and we do not warrant that the property is free from termite infestation, rot, contamination, asbestos or any other impediments, apart from those noted or visible to a prudent valuer.

Valuation Assumptions

- This valuation is undertaken based on market conditions and interpretation of all circumstances in relation to the subject property as they are known at the date of valuation, including a view of likely market conditions in the opinion of the valuer for a reasonable period ahead, generally taken to be 3 to 6 months, although we point out to any party relying on this valuation that market conditions can change within a reasonably short time.
- It is a primary valuation assumption that there will be a market where the willing buyer and willing seller concept is capable of operating to the extent that the market value assessed herein can be achieved. Offering of a property under normal circumstances and in what might be considered a reasonable marketing period, generally 3 to 6 months, may coincide with circumstances not contemplated or able to be foreseen at the time of undertaking this valuation. Specifically, if a property were offered for sale in thin or weak market conditions the market value definition under which the property has been assessed may not be achieved.
- Where the plantings are irrigated it is assumed that all existing or proposed water licences and agreements will remain linked to the property. To ensure continuity of water supply, any party relying on this valuation must maintain some form of charge or other security over these licences or agreements.
- The valuation is made on the basis that any crop sale agreement will remain in force for the full period of the agreement. In many cases, where a horticultural property is sold assignment of the sale agreement requires approval of the contracting company. Unless otherwise instructed, this valuation assumes that the crop sale agreement would be assigned. Early termination or non-renewal of sale agreements will generally have an adverse affect on the value of the property, requiring a review of the property value in such an event.
- Vineyards and horticultural plantings are assessed on the assumption that they are and will continue to be competently managed, and are free from irremediable disease or structural or design deficiency that affects yields and hence value. Unless noted at the time of inspection, we reserve the right to reassess our valuation should it become evident that the property was not, or did not continue to be properly managed, or if disease or management affecting vine health was not rectified or not known to be present at the time of our inspection.
- Properties are valued on the basis that plant items normally associated with continuing use will remain, and are included in the valuation amount. Such items would include vineyard and horticultural irrigation and trellis systems, water pumps for buildings and the like, but not mobile or removable processing or agricultural plant.
- This valuation assumes that all necessary approvals have been obtained and compliance with any conditions has been met.
- The valuation assumes that all buildings and items of plant and equipment are not subject to hire purchase or lease agreements or similar forms of finance. Commonwealth Bank of Australia should satisfy itself that all items included in this valuation have clear title.

CPV Wines Limited

Orderly Realisation

	Unaudited 30/6/07 \$	Estimated Realisable Value \$ Low	Estimated Realisable Value \$ High
CURRENT ASSETS			
Cash	-	-	-
Receivables	246,017	221,415	246,017
Other	-	-	-
Inventories	-	-	-
TOTAL CURRENT ASSETS	<u>246,017</u>	<u>221,415</u>	<u>246,017</u>
NON CURRENT ASSETS			
Property, plant & equipment (Note 1)	2,364,182	4,146,750	4,365,000
Biological assets (Note 2)	2,135,818	-	-
TOTAL NON CURRENT ASSETS	<u>4,500,000</u>	<u>4,146,750</u>	<u>4,365,000</u>
TOTAL ASSETS	<u>4,746,017</u>	<u>4,368,165</u>	<u>4,611,017</u>
CURRENT LIABILITIES			
Payables	25,283	25,283	25,283
Borrowings	982,662	982,662	982,662
Other	-	-	-
TOTAL CURRENT LIABILITIES	<u>1,007,945</u>	<u>1,007,945</u>	<u>1,007,945</u>
NON CURRENT LIABILITIES			
Borrowings	1,637,949	1,637,949	1,637,949
Deferred Tax Liabilities	347,316	347,316	347,316
TOTAL NON CURRENT LIABILITIES	<u>1,985,265</u>	<u>1,985,265</u>	<u>1,985,265</u>
TOTAL LIABILITIES	<u>2,993,210</u>	<u>2,993,210</u>	<u>2,993,210</u>
NET ASSETS	<u>1,752,807</u>	1,374,955	1,617,807
Less: Costs of Realisation		(50,000)	(20,000)
NET REALISABLE VALUES		<u>1,324,955</u>	<u>1,597,807</u>
Note 1 High value reflects the independent valuation of \$4,500,000 less an allowance for selling costs and the low value represents a discount of 5% from the high value			
Note 2 The value of biological assets is included within the realisable value of the property			

Sources of Information

The following sources of information have been utilised and relied upon in the course of preparing this report.

- Audited financial statements of CPV Wines for the year ended 30 June 2006;
- Draft accounts for the financial year ended 30 June 2007;
- A budget for the year ending 30 June 2008;
- Valuation of CPV Wines' property prepared by Mr. Colin Pickett of Gaetjens Pickett Valuers as at 30 June 2007;
- CPV Wines' share register as at 30 June 2007;
- CPVL's Bidder's Statement dated 13 July 2007;
- Grape Supply Agreement between CPV Wines and the Watson Wine Group Pty Ltd dated 9 March 2007;
- CPV Wines' constitution;
- Vineyard Management Agreement between CPV Wines and Coonawarra Vineyard Management Services Pty Ltd dated 9 February 2006; and
- Draft Target's Statement.

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PART 2 – FINANCIAL SERVICES GUIDE

1. DMR Corporate

DMR Corporate Pty Ltd (“DMR Corporate”) holds Australian Financial Services Licence No. 222050, authorizing it to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues and to carry on a financial services business to provide general financial product advice for securities to retail and wholesale clients.

2. Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale clients in making a decision as to their use of the general financial product advice included in the independent reports (“Report”) prepared by DMR Corporate, the financial services offered by DMR Corporate, how DMR Corporate is remunerated and DMR Corporate’s complaints process.

3. Financial Services Offered by DMR Corporate

DMR Corporate prepares Reports, which are provided to members of a company or other entity (“Entity”) for which DMR Corporate prepares the Reports. Reports are commissioned by an Entity and DMR Corporate’s client is the Entity to which it provides the Report.

All Reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate’s independence of the Entity commissioning the Report and other parties to the transactions.

DMR Corporate does not accept instructions from retail clients. DMR Corporate provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. DMR Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

4. General Financial Product Advice

In the Reports, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a Report having regard to their own objectives, financial situation and needs before acting on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

5. Remuneration

DMR Corporate charges fees for providing Reports. These fees are agreed with, and will be paid by the Entity engaging us to provide the Report. Fees for Reports are based on a time cost or fixed fee basis and all fees are disclosed in the Reports.

Except for the fees referred to above, neither DMR Corporate, nor any of its directors, employees or associated entities receive any fees or other benefits, directly or indirectly, for or in connection with the provision of any Report.

6. Complaints Process

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have a system for handling complaints from persons to whom DMR Corporate provide financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Industry Complaints Service Limited – PO Box 579 – Collins Street West, Melbourne Vic 3000.

ANNEXURE B – Vineyard Valuation

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Gaetjens Pickett Valuers

Wine industry specialists

VALUATION

of

CPV Wines Limited

(Formerly COONAWARRA PREMIUM VINEYARDS PROJECT NO. 2)

McBain Road, Coonawarra SA 5263

on the basis of current market value
as at **30 June 2007**



Under instructions from
CPV Wines Ltd

VALUER

COLIN PICKETT

Certified Practising Valuer

Associate Australian Property Institute

July 2007

ABN 90 791 710 106

185 Fullarton Road, Dulwich South Australia 5065

PO Box 146, Kent Town South Australia 5071

Telephone: +61 8 8331 1633 Facsimile: +61 8 8364 5622 Email: info@gpvaluers.com.au

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EXECUTIVE SUMMARY

PROPERTY ADDRESS:	McBain Road, Coonawarra SA 5263
CERTIFICATE OF TITLE:	Volume 5904 folio 217
REGISTERED PROPRIETOR:	CPV Land Holdings Pty Ltd
ZONING:	Primary Industry 1 (Horticulture)
PROPERTY DESCRIPTION:	<p>The property comprises a large vineyard of approximately 81 ha developed between 2001 and 2003.</p> <p>Development is to a high standard with fully automated and soil moisture monitored irrigation, industry standard trellis and plantings and a full frost control system across the plantings.</p>
INTEREST VALUED:	The vineyard was established as managed investment scheme project (MIS) which has now been terminated and this valuation is made on an unencumbered freehold basis.
VALUATION DATE:	30 June 2007
CURRENT MARKET VALUE:	\$4,500,000 (four million five hundred thousand dollars)

VALUER: **COLIN PICKETT**
Certified Practising Valuer
Associate Australian Property Institute

July 2007

IMPORTANT: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.

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Appendices

- Location plan
- Letter of instruction
- Certificate of title
- Water licence
- Site Plan
- Valuation spreadsheets
- Photographs

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VALUATION REPORT

1. INTRODUCTION

This valuation is for the use of CPV Wines Ltd, DMR Corporate Pty Ltd and Commonwealth Bank of Australia and has been prepared in accordance with Australian Property Institute guidelines and Commonwealth Bank of Australia Rural Valuation Report Standard PCS 6.

Instructions have been received from CPV Wines Ltd.

The valuation is prepared in accordance with the instructions given and the value has been assessed in relation to prevailing market conditions and qualifications as noted in this report.

2. DECLARATION

I declare that I have no interest in the subject property, other than as a valuer for a professional fee.

The valuer, Gaetjens Pickett Valuers and Colin Gaetjens & Co Pty Ltd have or may have directly or indirectly investments by way of shares or units in various publicly listed and unlisted wine companies, banks and other institutions which may be or are connected with this valuation. The holdings are not deemed to be significant or to have any bearing on the opinion expressed in this valuation. Specific details of holdings are available on request.

Colin Gaetjens & Co Pty Ltd is a part owner of the business of Colin Gaetjens & Shaw, Australian Winery and Vineyard Brokers. No active role is taken in the business but there is management and board involvement. Colin Gaetjens & Shaw has no direct involvement in Gaetjens Pickett Valuers.

3. LIABILITY

This valuation is for the use of and may be relied upon only by the party to whom it is addressed and only for the purpose outlined below. No other party is entitled to use or rely upon it and the valuer accepts no liability to any party that does so.

Reliance upon our report is limited to our client or instructing party sighting a signed original document including all of the listed appendices. The appendices form an integral part of the report and must be read in conjunction with the main text of the report.

Under the terms of our professional indemnity insurance policy, we are required to point out the following:

- "This valuation is current as at the date of the valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.
- Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 3 months from the date of the valuation."

4. PURPOSE OF VALUATION

The purpose of the valuation is to establish the current market value of an unencumbered freehold interest in the subject property, for use by Commonwealth Bank of Australia for first mortgage security purposes and DMR Corporate Pty Ltd for reference in its independent report.

The subject property was inspected in June 2007, and the valuation is given as at 30 June 2007.



5. DEFINITION OF VALUE

Market Value:

Market value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

6. VALUATION ASSUMPTIONS

- This valuation is undertaken based on market conditions and interpretation of all circumstances in relation to the subject property as they are known at the date of valuation, including a view of likely market conditions in the opinion of the valuer for a reasonable period ahead, generally taken to be 3 to 6 months, although we point out to any party relying on this valuation that market conditions can change within a reasonably short time.
- It is a primary valuation assumption that there will be a market where the willing buyer and willing seller concept is capable of operating to the extent that the market value assessed herein can be achieved. Offering of a property under normal circumstances and in what might be considered a reasonable marketing period, generally 3 to 6 months, may coincide with circumstances not contemplated or able to be foreseen at the time of undertaking this valuation. Specifically, if a property were offered for sale in thin or weak market conditions the market value definition under which the property has been assessed may not be achieved.
- Where the plantings are irrigated it is assumed that all existing or proposed water licences and agreements will remain linked to the property. To ensure continuity of water supply, any party relying on this valuation must maintain some form of charge or other security over these licences or agreements.
- The valuation is made on the basis that any crop sale agreement will remain in force for the full period of the agreement. In many cases, where a horticultural property is sold assignment of the sale agreement requires approval of the contracting company. Unless otherwise instructed, this valuation assumes that the crop sale agreement would be assigned. Early termination or non-renewal of sale agreements will generally have an adverse affect on the value of the property, requiring a review of the property value in such an event.
- Vineyards and horticultural plantings are assessed on the assumption that they are and will continue to be competently managed, and are free from irremediable disease or structural or design deficiency that affects yields and hence value. Unless noted at the time of inspection, we reserve the right to reassess our valuation should it become evident that the property was not, or did not continue to be properly managed, or if disease or management affecting vine health was not rectified or not known to be present at the time of our inspection.
- Properties are valued on the basis that plant items normally associated with continuing use will remain, and are included in the valuation amount. Such items would include vineyard and horticultural irrigation and trellis systems, water pumps for buildings and the like, but not mobile or removable processing or agricultural plant.
- This valuation assumes that all necessary approvals have been obtained and compliance with any conditions has been met.
- The valuation assumes that all buildings and items of plant and equipment are not subject to hire purchase or lease agreements or similar forms of finance. Commonwealth Bank of Australia should satisfy itself that all items included in this valuation have clear title.

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7. MORTGAGE SUITABILITY

The property or properties valued herein are considered to be suitable security for first mortgage purposes only.

This valuation is not a guarantee of recoverable or future value on other than the date stated in this report and for a reasonable marketing period thereafter (a maximum of 3 months or such other period as may be noted). It is not an indication of realisable value under forced sale conditions, unless stated otherwise.

In accordance with the requirements of our Professional Indemnity insurers, this valuation is subject to the following qualifications for other than bank lenders:

- "This valuation is prepared on the assumption that the Lender who relies on this valuation report (and no other) has complied with its own prudential lending guidelines, as well as prudent finance industry lending practices. The Lender must have considered all prudent aspects of credit risk for any potential borrower, including the borrower's ability to service and repay any mortgage loan.
- Further, the valuation is prepared on the assumption that the lender is providing mortgage financing using a conservative and prudent loan-to-valuation ratio (LVR). The valuer accepts no liability whatsoever if prudent lending practices fail to be strictly observed and/or if the lender relies solely on this valuation to advance loan funds".

8. PROPERTY ADDRESS

McBain Road, Coonawarra SA 5263

9. REGISTERED PROPRIETOR

CPV Land Holdings Ltd

10. OCCUPANCY

The property is presently owner occupied.

11. LEGAL PARTICULARS.

A title search has been undertaken.

11.1 Title Details

Allotment 12 in deposited plan 62055 (part sections 57 and 62), Hundred of Comaum and contained in certificate of title volume 5904 folio 217.

11.2 Land Area

According to the title information the land area is 86.96 ha.

11.3 Encumbrances

There are no restrictive encumbrances on the property likely to affect the present and continued use.

11.4 Native title

The property is held under freehold title and adverse claims are unlikely.

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11.5 Identification

The property boundaries have been identified and appear to correspond with the title boundaries.

If a survey reveals encroachments or other irregularities we reserve the right to review our valuation.

11.6 Property leases and agreements

Not applicable

12. TOWN PLANNING

The property is in the Wattle Range Council and is zoned Primary Industry 1 (Horticulture). Vineyard use is permitted in this zone and all necessary approvals are in place for the subject property.

13. WATER

Water for the property is sourced from six bores.

The water allocation is secured by water licence number 11226 with an allocation of 25 ha IE which will allow the irrigation of 87.5 ha. The licence is in the name of Coonawarra Premium Vineyards Pty Ltd.

There is no volumetric regulation of water use in the district at present but it is intended that volumetric controls will be introduced in the near future. Discussions are underway in relation to volumetric allocations for irrigation on the one hand and frost control on the other but no resolutions are presently in place. Frost control does use very high volumes of water in short period but as there is no present strain on the underground supplies it is not anticipated that there will be any difficulties in moving from an area to a volume base for water allocations.

As a security issue, Commonwealth Bank of Australia should apply for a notation of the interest of a third party on the water licence.

The average rainfall for the district is approximately 650 mm to 700 mm per annum.

14. TOPOGRAPHY AND SOILS

The property is level to gently undulating and soils are dark and grey light clay loams over limestone.

15. ENVIRONMENTAL ISSUES

There are no indications of previous or present contamination, and my valuation has been made accordingly.

We reserve the right to amend my valuation should the presence of prior contamination of unacceptable levels be established by analysis.

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16. LOCALITY

The vineyard is located a few kilometres northwest of the small township of Coonawarra and west of Riddoch Highway which runs through the centre of the vineyard region.

The property has road frontages on three sides and main access is from McBain Road on the southern boundary.

The subject property is situated within the Coonawarra GI.

17. PROPERTY DETAILS

The property comprises an investment vineyard project developed in 2001 with further plantings in 2002 and 2003.

Planting details are as follows:

VARIETY	AREA (ha)	YEAR
Chardonnay	5.00	2001
Sauvignon blanc	3.43	2001
Cabernet sauvignon	13.72	2001
Cabernet sauvignon	4.96	2002
Cabernet sauvignon	4.20	2003
Merlot	6.32	2001
Shiraz	13.63	2001
Shiraz	13.84	2002
Shiraz	4.00	2003
TOTAL	69.10	

Our policy is to value vineyards based on net trellised or planted area, excluding perimeter headlands and access roads.

In the case of the subject property we have been supplied with planting details or plans and we believe that the above areas are reasonably accurate.

Given that the vineyard value is dependent on the planted area we reserve the right to alter our valuation should a survey or other information indicate differing areas from those above.

Since our previous valuation approximately 12 ha of merlot vines have been removed and will be replanted (probably to sauvignon blanc) later this year and next, utilising the existing trellis and irrigation.

The trellis system comprises treated pine end assemblies, intermediate pine posts, drip wire with cordon and foliage wires where required.

The planting grid is 2.75 m by 2 m giving a density of 1,818 vines per ha. All plantings are on own roots.

Supplementary watering for the vineyard is by drip irrigation. 5 bores are linked across the subject property and an adjoining vineyard run under the same management to provide fully automated and monitored drip irrigation. The irrigation systems could be split if required.

Full frost control by way of overhead flippers watering along the vine rows is also in place and this is provided by bores each with diesel motor and manual start. The irrigation bores are all operated by three phase electric pumps.

There are no other improvements on the property, all building improvements being on the adjoining vineyard project. There is a large compound on this property which is also used by both projects.

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We have not engaged a building expert or inspected unexposed or inaccessible portions of the premises. Any misgivings have been noted in our report and we do not warrant that the property is free from termite infestation, rot, contamination, asbestos or any other impediments, apart from those noted or visible to a prudent valuer.

18. VINEYARD PRODUCTION AND GRAPE SALE AGREEMENTS

There is a grape sale agreement with Watson Wine Group though through to 2015 at district weighted average prices.

19. PURCHASE PRICE

Not applicable.

20. INSURANCE

Not applicable.

21. GST COMMENTARY

This valuation is made on a GST exclusive basis, regardless of circumstances in which GST may be deemed to be applicable to an actual or prospective purchaser, or to the vendor.

Due to the complicated nature of the application of GST to property we are not able to comment as to the GST status of the property or properties being valued herein.

22. MARKET EVIDENCE

Since our previous valuation we are not aware of any sales of comparable vineyard properties in the region.

In response to the short vintage, there has been a number of sales this year of vineyard properties in other regions, many involving properties which have been on the market for reasonably long periods but have suddenly found favour with the market. A recent sale in Langhorne Creek indicates a value of around \$57,000 per ha and sales in Barossa for premium vineyards have been up to \$90,000 per ha.

In our 2006 valuation of the subject property, we indicated an upper end range of \$55,000 to \$60,000 per ha and in view of the strengthening in the market, we suggest that a value at the top end of this range would not be unreasonable, particularly in comparison with values of around \$85,000 per ha which were achieved in the early 2000's just prior to the collapse in the market.

23. MARKET COMMENTARY

Conditions in the wine industry over the past few years have been difficult due to a combination of grape oversupply, increase in competition, discounting in world markets and retail consolidation domestically. This has had an impact on grape prices and hence on vineyard values in most regions. However, in the short term there has been a quite dramatic change due to the drought and frost (the latter particularly in Coonawarra) affected 2007 vintage, likely to flow onto 2008 and perhaps beyond. This has increased demand for bulk wine, generally reduced surpluses which have been around for a number of years and sent wine companies searching for additional fruit, putting upward pressure on grape prices and given a much greater awareness of the importance of secure water.

Although there has been few vineyards on the market recently in Coonawarra, we would anticipate that an established modern vineyard such as the subject, with frost control would meet with good interest if offered on the market at the present time. The likely buyer would be investor groups or wine producers looking to secure sources of fruit.

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24. VALUATION CONSIDERATIONS

The valuation recognises the current use of the property, and takes into account added or detrimental value and future potential in relation to optimum use.

In our opinion the property is being appropriately utilised at present.

At present the subject property and an adjoining development are run under common management with all buildings on the adjoining property. In the case of separation of the two projects it would be possible to either subdivide the current offices and original compound to allow common use by way of a management agreement across both properties, or the subject property could simply construct its own facilities and enter into a separate management agreement.

Separation of the irrigation and frost control systems would not be difficult, requiring some adjustments to main lines and valves or a sharing agreement if appropriate.

Water for irrigation has been a subject of some discussion recently but I am not aware of any pressures or likelihood of restrictions in Coonawarra. The area will almost certainly move to volumetric control in the short term but it is unlikely that changes or restrictions will be such that the vineyard viability is in question.

We have been instructed to value the property on the basis that the Watson Wine Group is contracted to purchase all fruit from the subject vineyard at district weighted average prices. Although there is a relationship between the parties, in the current market there would be good demand for the fruit from other sources and the existence or otherwise of a grape sale agreement is not the vital issue that it has been over recent years.

25. SWOT Analysis

Strengths

- Large vineyard holding amongst the biggest in private ownership in Coonawarra.
- Developed to a very high standard with excellent irrigation system and frost control.

Weaknesses

- None apparent

Opportunities

- Production consistency and fruit quality will improve as the vineyard moves into full maturity.

Threats

- There are no specific threats other than normal viticultural and industry risks.

26. VALUATION APPROACH

Various valuation methods are available including direct sales comparison, depreciated cost, capitalisation of income or a combination of these.

Although direct comparison is rarely available due to the various differences between properties, comparison can be made between various elements of the subject property and similar elements of analysed comparable sales.

Summation of the component parts derived from market analysis supported by sales evidence and valuation experience is generally the most appropriate valuation method for properties of this type.

Capitalisation of income is generally not preferred as a primary valuation method for rural property but in the case of vineyards it can provide a useful check. Because of the nature of viticulture it is important to look at likely vineyard performance over a reasonable time frame,

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capable of smoothing short term fluctuations because of markets or climate. By assessing average yields and applying an estimate of likely grape prices it is possible to arrive at a gross income from which running costs can be deducted to arrive at a net income.

Analysis of a number of vineyard sales over many years has shown that yields on sale price have been somewhere between 12% to over 20%. Higher yields generally apply to warm climate irrigated areas where reasonably high grape incomes can apply to lower capital value vineyards, with lower returns coming in the higher priced premium areas producing lower crops on higher values per hectare. In recent times there has been downward pressure on investment yields, influenced by continued low inflation/low interest rates and more conservative grape prices.

A hurdle rate or risk rate, effectively a discount rate, of 15% is considered to be a reasonable benchmark at present. It adequately takes into account factors such as risk free rate, inflation, other investment returns and agricultural risk.

In looking at vineyard returns it is more appropriate to look over a 10 to 15 year cycle so that even with grape price weakness at present it is valid to take past and likely future performance into account.

Whilst these figures can vary considerably from year to year it would be reasonable to suggest that most purchasers take into account likely average income over a wide period and use this as part of their purchasing decision.

Subject property

In the case of the subject property we have used a summation approach and have also included a spreadsheet showing a discounted cash flow model based on various assumptions derived from information supplied about the subject property, district experience and our knowledge of other vineyards. It should be noted that inputs adopted are based on estimated long term averages and are not intended as a prediction of actual outcomes in any particular year.

The resulting net present value arrived at can be compared to the value assessed by summation using analysed market transactions. The spreadsheet is included for illustrative purposes and as a useful check but it is not a primary valuation instrument.

Valuation methodology and assumptions are as follows:

1. Vineyard value derived from sales analysis has been assessed at \$60,000 per ha. This takes into account our view of the current state of the plantings, vineyard productivity and current market conditions.
2. In the spreadsheet relating to the vineyard we have suggested yields of somewhere between 10 and 12 tonnes per ha.
3. Running costs have been assessed at \$6,500 per ha. The vineyard is simple to run and this amount is in line with generally expected vineyard running costs.
4. Grape prices have been assessed as our opinion of long term average prices taking into account district prices, the quality of the end product, the current state of the market and the expectation that after a number of years of retreating grape prices, over the next few vintages prices should firm up. The figures adopted are not intended as price predictions in any particular year but rather are considered to be a reasonable estimate of averages in real terms, over the cash flow period.
5. The spreadsheet is useful to measure the value assessed by summation against likely financial performance according to the assumptions entered and enables the calculated net present value to be compared to the summation value of the vineyard area.

Using the information as noted in the spreadsheet and taking into account the points above the result gives support to the value adopted.

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Our assessment of value is as follows:

Vineyard mature	60.90 ha @	\$60,000 per ha	\$3,654,000
Vineyard 2003	8.20 ha @	\$55,000 per ha	\$451,000
Vineyard to be replanted	12 ha @	\$25,000 per ha	\$300,000
Balance land	5.86 ha @	\$12,500 per ha	\$73,250
			<hr/>
			\$4,475,250
		Say	\$4,500,000

Land value without improvements

Land sales for vineyard development properties in Coonawarra vary widely with prices over the last few years ranging from around \$10,000 to well over \$30,000 per ha on a plantable land basis. For the subject property with water we would suggest a vacant land value of \$12,500 per ha.

Land with 25 ha IE	86.96	ha @ \$12,500	per ha \$1,087,000
		Say	\$1,100,000

Limited recent water trades in Coonawarra suggest a value of anywhere between \$3,500 and \$6,000 per IE.

Rental value

It is unusual to rent vineyards on a straight leasehold basis but a number of transactions have occurred, principally through the Challenger Beston Group and certain other private transactions.

Rental value currently would be in the order of 10% per annum of capital value.

All relevant fixed or essential plant and equipment where present, such as pumps, trellis, irrigation systems and the like have been included as part of the property. It would be normal for such items to pass with a sale and their inclusion is standard practice.

As a security issue all relevant items should be included with the property by way of chattel mortgage or bill of sale.

There is no added value attributed to the plantings in relation to the crop regardless of the valuation date.

27. VALUATION

In our opinion, the current market value of the within described property as at 30 June 2007 is as follows:

\$4,500,000 (Four million, five hundred thousand dollars)

COLIN PICKETT
Certified Practising Valuer
Associate Australian Property Institute

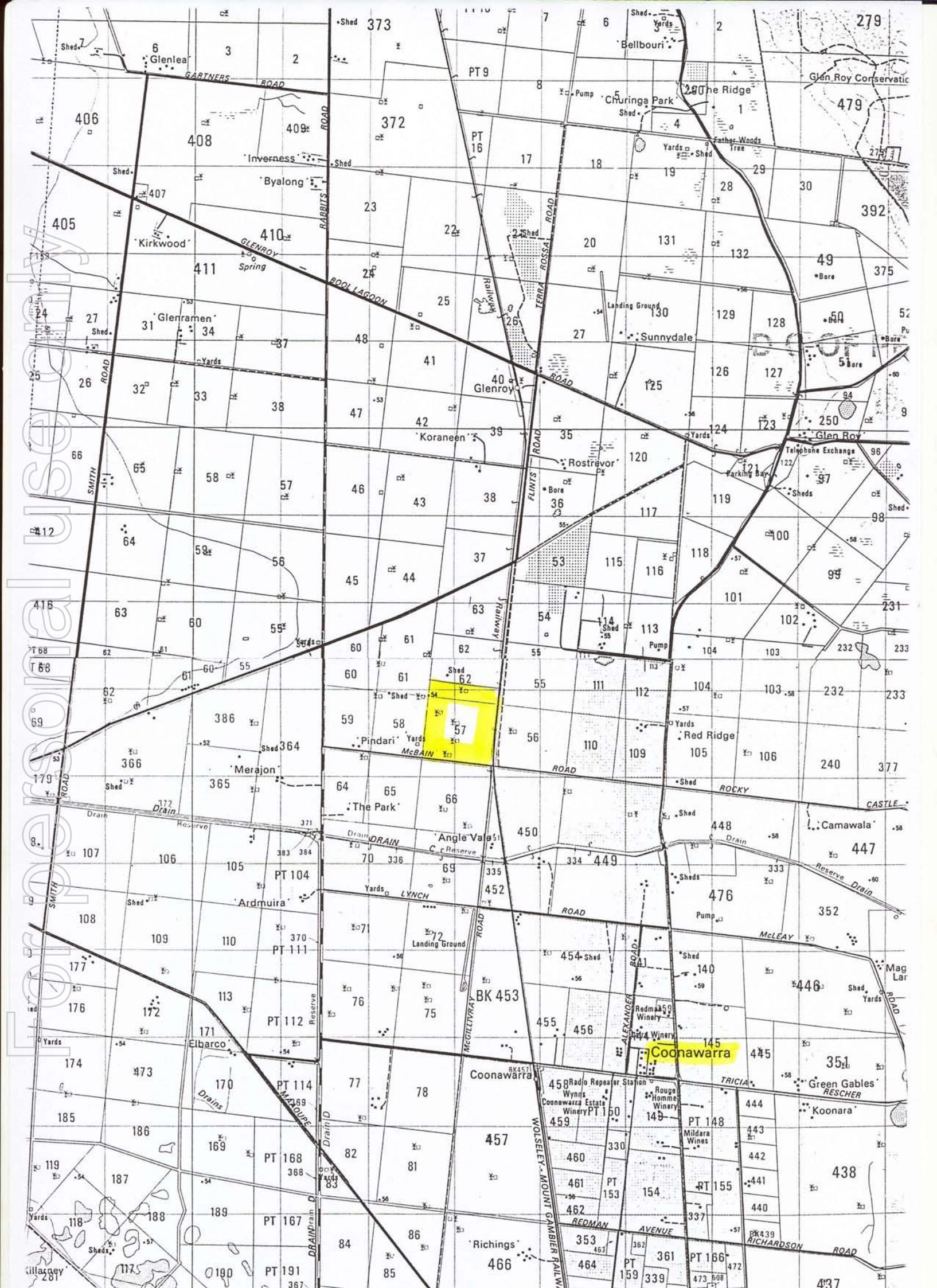
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APPENDICES

1. Location plan
2. Letter of instruction
3. Certificate of title
4. Water licence
5. Site plan
6. Valuation spreadsheets
7. Photographs



57
Shed
Yards
Pindari
McBAIN

Coonawarra
145

458 Radio Repair Station
Wynns
Coonawarra Estate
Winery PT 150
459

Rouge
Hommes
Winery
149

Mildara
Wines
PT 148

444
443
442
441
440

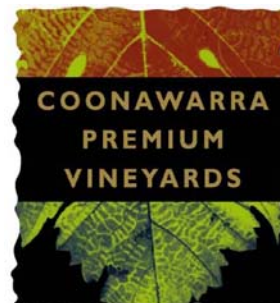
Green Gables
RESCHER
Koonara

Richings
466

361
PT 159
339

PT 186
472
473
508

437



CPV Wines Limited

ABN 96 094 489 639

12 July 2007

PO Box 6243, Halifax Street, Adelaide SA 5000

235 Glen Osmond Road, Frewville SA 5063

Telephone (08) 8338 3400

Facsimile (08) 8338 3244

Mr. Colin Pickett
Gaetjens Langley
185 Fullarton Road
Dulwich SA 5065

Dear Colin,

CPV Wines Limited vineyard at McBain Road, Coonawarra

I am writing to update the company's instructions to you regarding the valuation of the above vineyard, formerly the Coonawarra Premium Vineyards Project No.2 vineyard.

CPV Wines Limited has received a takeover bid from Coonawarra Australia Property Trust (CNR). Your report will be used by the independent expert who is preparing a report to assist the directors of the company in responding to the bidder's statement. ASIC Practice Note 43 (a copy of which is attached for your convenience) deals with the use of experts in such engagements and may be of assistance to you.

We request a formal valuation to provide an opinion of the current market value of the vineyard as at 30 June 2007, using methods in accordance with the Australian Property Institute's valuation guidelines and to comply with CBA valuation requirements for rural properties PCS 6. Your fees will be paid by CPV Wines Limited: please address your invoice to this company.

Can you please ensure the valuation report contains the following:

- Certificate of Valuation as at 30th June 2007;
- Valuation report including 'Valuation Rationale' and a breakdown of the various components of the valuation;
- An "In Use As Is" Valuation;
- A valuation based on the rental income stream and termination value (as in previous years)
- Details of the certificates of title;
- Copy of plantings layout;
- Water allocation licence details;

Please note that this vineyard is fully contracted at District Weighted Average Prices to Watson Wine Group Pty Ltd for the 2007 to 2015 vintages.

If you are in any doubt as to the expert's requirements you could contact him direct. His details are as follows:

Paul Lom
DMR Corporate Pty Ltd
Level 7, 470 Collins Street
Melbourne, Vic
Australia
Tel 61-3-9629 4201
Fax 61-3-9629 4598
paul@dmrcorporate.com.au

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Please address your final report to DMR, with a copy to CBA for mortgage purposes as well as to the directors of the company. Given the strict timetables imposed by ASIC in relation to the takeover processes we would be grateful if you could complete your report on CPV Wines Ltd's vineyard on a priority basis.

When sending your report to DMR, please provide your consent for DMR to refer to your report within the body of their expert report.

If you have any questions please do not hesitate to contact me

Regards,



Charlie Latham
Company Secretary
CPV Wines Limited
charlie@coonawarravineyard.com.au
0400 626688



Title Register Search

LANDS TITLES OFFICE, ADELAIDE

For a Certificate of Title issued pursuant to the Real Property Act 1886

REGISTER SEARCH OF CERTIFICATE OF TITLE * VOLUME 5904 FOLIO 217 *

COST : \$16.80 (GST exempt)	PARENT TITLE : CT 5769/337 & OTHERS
REGION : EMAIL	AUTHORITY : RTC 9610748
AGENT : CGCO BOX NO : 254	DATE OF ISSUE : 15/10/2003
SEARCHED ON : 30/07/2007 AT : 17:59:24	EDITION : 1

REGISTERED PROPRIETOR IN FEE SIMPLE

 CPV LAND HOLDINGS PTY. LTD. OF LEVEL 2/32 SOUTH TERRACE ADELAIDE SA 5000

DESCRIPTION OF LAND

 ALLOTMENT 12 DEPOSITED PLAN 62055
 IN THE AREA NAMED GLENROY
 HUNDRED OF COMAUM

EASEMENTS

 SUBJECT TO A FREE AND UNRESTRICTED RIGHT OF WAY OVER THE LAND MARKED C AND
 D

TOGETHER WITH A FREE AND UNRESTRICTED RIGHT OF WAY OVER THE LAND MARKED E

SCHEDULE OF ENDORSEMENTS

 9005362 MORTGAGE TO COMMONWEALTH BANK OF AUSTRALIA OF PORTION
 9044067 MORTGAGE TO COMMONWEALTH BANK OF AUSTRALIA OF PORTION

NOTATIONS

 DOCUMENTS AFFECTING THIS TITLE

 NIL

REGISTRAR-GENERAL'S NOTES

 PLAN FOR LEASE PURPOSES GP 482/03

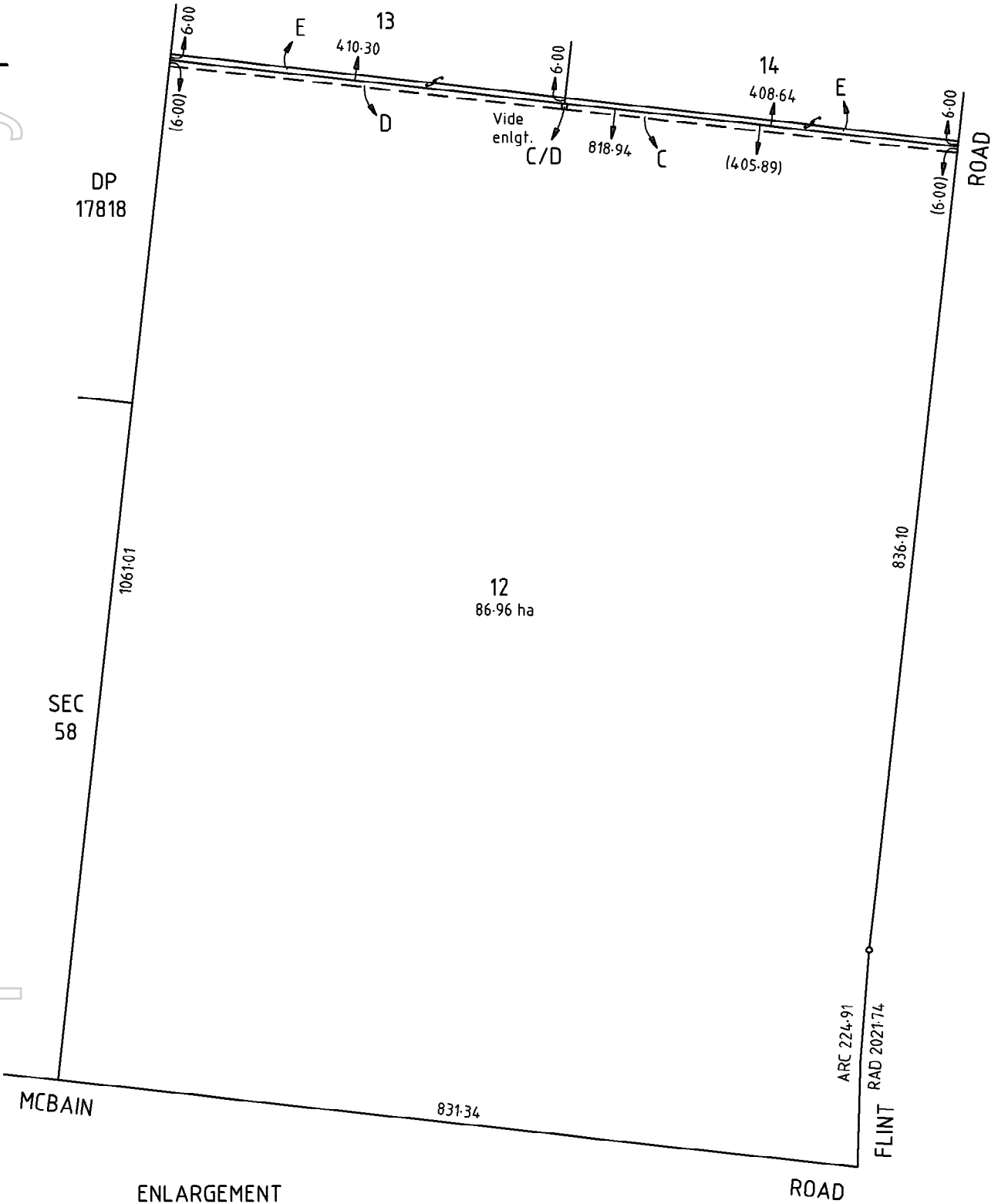
END OF TEXT.

LANDS TITLES OFFICE ADELAIDE SOUTH AUSTRALIA

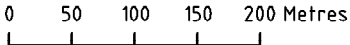
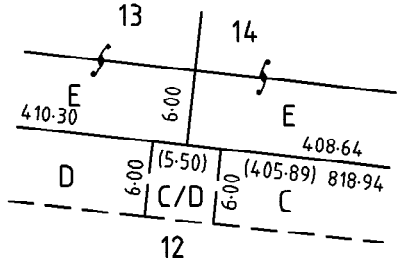
DIAGRAM FOR CERTIFICATE OF TITLE VOLUME 5904 FOLIO 217

SEARCH DATE : 30/07/2007 TIME: 17:59:24

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ENLARGEMENT
(NOT TO SCALE)



DEPARTMENT OF WATER, LAND AND BIODIVERSITY CONSERVATION

RESOURCE ALLOCATION DIVISION

WILMA.OfficeAddress

Ph. WILMA.OfficePhoneNo Fax WILMA.OfficeFaxNo

WATER LICENCEpursuant to section 146 of the *Natural Resources Management Act 2004*Licence No. **11226**

Management Area Zone 3A

Licensee(s): CPV WINES LIMITED
ACN 094 489 639
PO BOX 6243
ADELAIDE SA 5000

PRESCRIBED WATER RESOURCES:

The underground water to which a well in the Lower Limestone Coast Prescribed Wells Area has access.

TOTAL WATER ALLOCATION PER ANNUM Taking 25.0 halE

COMPONENTS OF ALLOCATION
25.0 halE

PURPOSE
Taking Irrigation

DETAILED SOURCE OF WATER**Description**

Underground UNCONFINED LOWER
LIMESTONE COAST PWA

Meter

TRANSFER DETAILS - ABSOLUTE

From Licence	To Licence	Allocation Transfer	Water Resource	Effective From
9161	11371	40 halE		01/07/2000
		-15 halE		01/07/2003

Intervals at which conditions of this licence may be varied by the Minister (sections 146(6)(f) and 147(1)(b) of the *Natural Resources Management Act 2004* ('the Act')):

Yearly (on or about 30 June each year)

This licence is subject to the Act, and any conditions which may be specified from time to time in the Regulations, or by the Minister under the Act, and to the following further conditions:

- The water allocation(s) endorsed on this licence must only be used on the land described below:

CT 5904/217
Allotment 12 in Deposited Plan 62055
Sections(s) Pt Sec 57
Hundred of Comaum

DEPARTMENT OF WATER, LAND AND BIODIVERSITY CONSERVATION

RESOURCE ALLOCATION DIVISION

WILMA,OfficeAddress

Ph. WILMA,OfficePhoneNo Fax WILMA,OfficeFaxNo

WATER LICENCE

pursuant to section 146 of the *Natural Resources Management Act 2004*

Licence No. **11226**

Management Area **Zone 3A**

CT 5904/218
Allotment 13 in Deposited Plan 62055
Sections(s) Pt Sec 57
Hundred of Comaum

CT 5904/219
Allotment 14 in Deposited Plan 62055
Sections(s) Pt Sec 57
Hundred of Comaum

CT 5904/220
Allotment 15 in Deposited Plan 62055
Sections(s) Pt Sec 57
Hundred of Comaum

CT 5904/221
Allotment 16 in Deposited Plan 62055
Sections(s) Pt Sec 57
Hundred of Comaum

2. The water allocation(s) endorsed on this licence must only be used for the purpose(s) described above.
3. The water allocation(s) endorsed on this licence must only be taken from the source(s) described above and where specified the amount of water taken from each source(s) must not exceed the component of the allocation assigned to it.
4. For the purposes of this water licence, the term 'per annum' means the period between 1 July in any calendar year and 30 June in the following calendar year.
5. If the company name or name of licence holder(s) and/or the postal address of the licence holder(s) changes then the licence holder(s) must notify the Department in writing within 21 days of the change occurring.
6. The licensee must complete an Annual Water Use Report for each water use year and submit that Report to the Minister at an address specified in the Report on or before the next 31 July after the end of the water use year to which the Report relates. In this condition an 'Annual Water Use Report' means a form produced and approved by the Minister.
7. As at 30 June 2005, the water allocation(s) endorsed on this water licence must not be used for wild flooding. In this condition 'wild flooding' means irrigation where no adequate system such as land levelling, or irrigation bays is used to ensure a controlled distribution of water.

DEPARTMENT OF WATER, LAND AND BIODIVERSITY CONSERVATION

RESOURCE ALLOCATION DIVISION

WILMA.OfficeAddress

Ph. WILMA.OfficePhoneNo Fax WILMA.OfficeFaxNo

WATER LICENCE

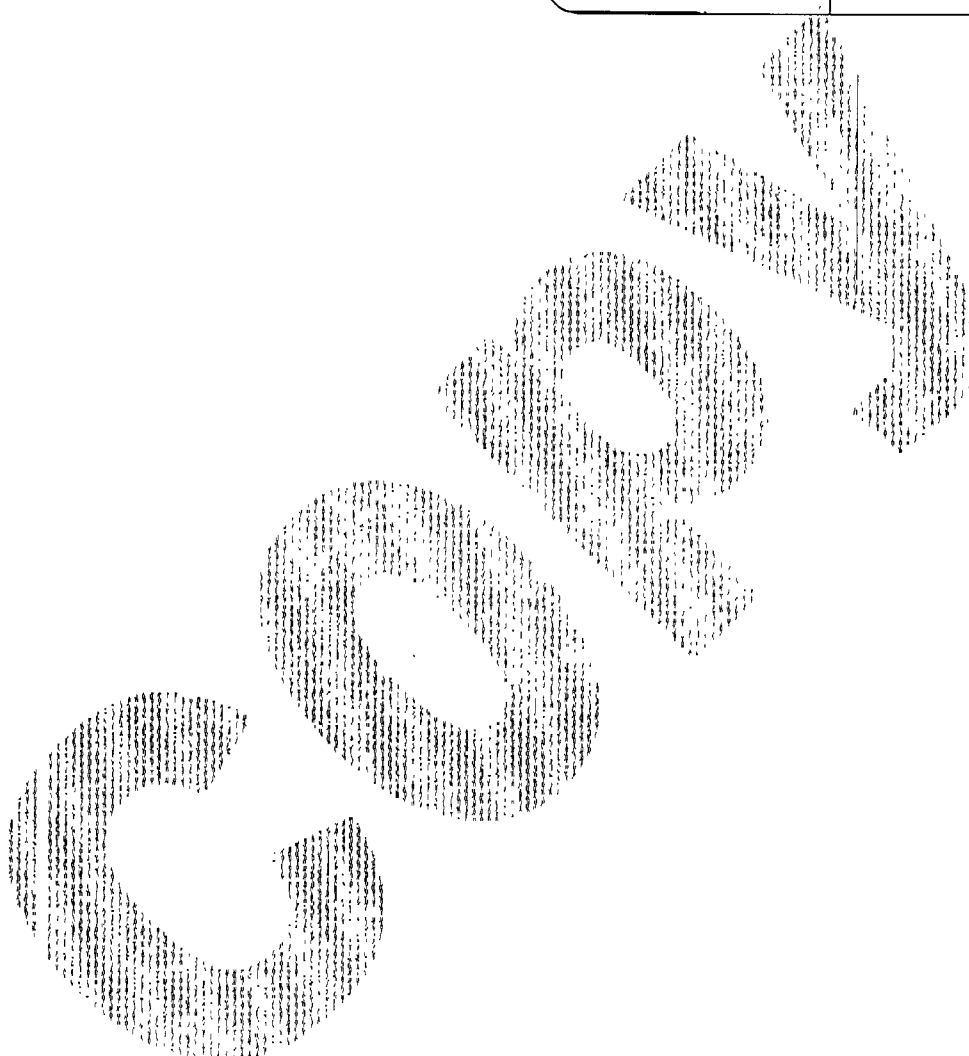
pursuant to section 146 of the *Natural Resources Management Act 2004*

Licence No.

11226

Management Area

Zone 3A

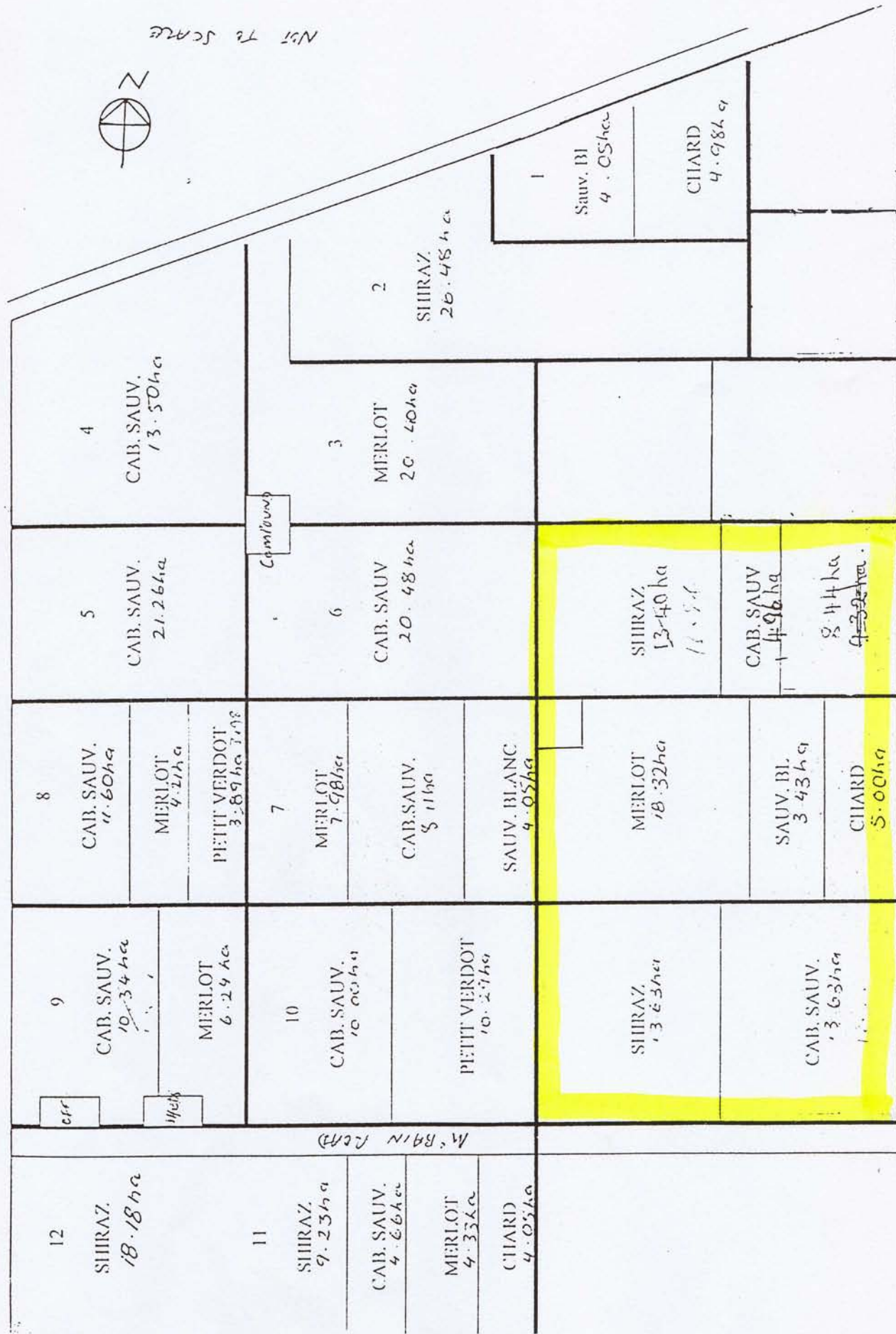


TAKE NOTE that the licensee, or a person acting on behalf of the licensee, who contravenes or fails to comply with a condition of this licence is guilty of an offence, and such acts or omissions may also result in cancellation, suspension or variation (including a reduction in the water allocation) of the licence by seven days written notice.

Date: 21/05/2004

 Delegate of Minister for Environment and Conservation

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NOT TO SCALE



COONAWARRA PREMIUM VINEYARDS PROJECT 2- McBain Road, Coonawarra SA 5263.

Property details, as at June 2007																		
				Summation			Area	Rate	Value									
LGA/Shire	Wattle Range	Zoning	Horticulture	Vineyard mature			60.90	60,000	3,654,000									
C/T	5904/217	GI	Coonawarra	Vineyard 2003			8.20	55,000	451,000									
Water	Bores 25ha IE	Planting grid	2.75 x 2.00m	Vineyard to be re-planted			12.00	25,000	300,000									
Land area		86.96	Vines/ha	1,818	Balance land			5.86	12,500	73,250								
Plantable area, estimated		81.10												4,478,250				
Planted area		69.10							Say						\$4,500,000			
Vineyard details																		
			Average expected yields t/ha				Total tonnes											
Variety	ha	age	2008	2009	2010	Ongoing	at maturity											
Chardonnay	5.00	2001	12.00	12.00	12.00	12.00	60											
Sauv blanc	3.43	2001	12.00	12.00	12.00	12.00	41											
Cab sauv	13.72	2001	10.00	10.00	10.00	10.00	137											
Cab sauv	4.96	2002	10.00	10.00	10.00	10.00	50											
Cab sauv	4.20	2003	7.00	10.00	10.00	10.00	42											
Merlot	6.32	2001	10.00	10.00	10.00	10.00	63											
Shiraz	13.63	2001	11.00	11.00	11.00	11.00	150											
Shiraz	13.84	2002	11.00	11.00	11.00	11.00	152											
Shiraz	4.00	2003	7.00	11.00	11.00	11.00	44											
TOTAL	69.10						739											
Period																		
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
Chardonnay		72,000	73,440	74,909	76,407	77,935	79,494	81,084	82,705	84,359	86,047	87,768	89,523	91,313	93,140	95,002		
Sauv blanc		57,624	58,776	59,952	61,151	62,374	63,622	64,894	66,192	67,516	68,866	70,243	71,648	73,081	74,543	76,034		
Cab sauv		171,500	174,930	178,429	181,997	185,637	189,350	193,137	197,000	200,940	204,958	209,058	213,239	217,503	221,854	226,291		
Cab sauv		62,000	63,240	64,505	65,795	67,111	68,453	69,822	71,219	72,643	74,096	75,578	77,089	78,631	80,204	81,808		
Cab sauv		36,750	53,550	54,621	55,713	56,828	57,964	59,124	60,306	61,512	62,742	63,997	65,277	66,583	67,914	69,273		
Merlot		63,200	64,464	65,753	67,068	68,410	69,778	71,173	72,597	74,049	75,530	77,040	78,581	80,153	81,756	83,391		
Shiraz		187,413	191,161	194,984	198,884	202,861	206,919	211,057	215,278	219,584	223,975	228,455	233,024	237,684	242,438	247,287		
Shiraz		190,300	194,106	197,988	201,948	205,987	210,107	214,309	218,595	222,967	227,426	231,975	236,614	241,346	246,173	251,097		
Shiraz		35,000	56,100	57,222	58,366	59,534	60,724	61,939	63,178	64,441	65,730	67,045	68,386	69,753	71,148	72,571		
	0	875,787	929,767	948,363	967,330	986,676	1,006,410	1,026,538	1,047,069	1,068,010	1,089,370	1,111,158	1,133,381	1,156,049	1,179,170	1,202,753		
Costs																		
Start value		-4,105,000	vineyard portion only per summation above															
Running \$/ha	\$6,500	-449,150	-460,379	-471,888	-483,685	-495,778	-508,172	-520,876	-533,898	-547,246	-560,927	-574,950	-589,324	-604,057	-619,158	-634,637		
Total costs		-4,105,000	-449,150	-460,379	-471,888	-483,685	-495,778	-508,172	-520,876	-533,898	-547,246	-560,927	-574,950	-589,324	-604,057	-619,158	-634,637	
End value \$/ha	\$85,000															5,873,500		
Cash flows		-4,105,000	426,637	469,388	476,474	483,644	490,899	498,238	505,662	513,171	520,765	528,444	536,208	544,057	551,992	560,011	6,441,616	
NPV of vineyard only at hurdle rate, excluding start value																		
					15%	3,589,146												
IRR of vineyard only including start & end values																		
						13.06%												
Average grape prices																		
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022			
Chardonnay	1,200	1,224	1,248	1,273	1,299	1,325	1,351	1,378	1,406	1,434	1,463	1,492	1,522	1,552	1,583			
Sauv blanc	1,400	1,428	1,457	1,486	1,515	1,546	1,577	1,608	1,640	1,673	1,707	1,741	1,776	1,811	1,847			
Cab sauv	1,250	1,275	1,301	1,327	1,353	1,380	1,408	1,436	1,465	1,494	1,524	1,554	1,585	1,617	1,649			
Cab sauv	1,250	1,275	1,301	1,327	1,353	1,380	1,408	1,436	1,465	1,494	1,524	1,554	1,585	1,617	1,649			
Cab sauv	1,250	1,275	1,301	1,327	1,353	1,380	1,408	1,436	1,465	1,494	1,524	1,554	1,585	1,617	1,649			
Merlot	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219	1,243	1,268	1,294	1,319			
Shiraz	1,250	1,275	1,301	1,327	1,353	1,380	1,408	1,436	1,465	1,494	1,524	1,554	1,585	1,617	1,649			
Shiraz	1,250	1,275	1,301	1,327	1,353	1,380	1,408	1,436	1,465	1,494	1,524	1,554	1,585	1,617	1,649			
Shiraz	1,250	1,275	1,301	1,327	1,353	1,380	1,408	1,436	1,465	1,494	1,524	1,554	1,585	1,617	1,649			
Notes																		
1	Projections exclude effect of interest, depreciation & tax, but allowance is made for overheads at contract rates to take account of machinery and labour inputs. GST is excluded.																	
2	Grape prices are intended to represent average price (in current dollars) over the period of the cash flow rather than current prices and are not intended to be a prediction of price in any particular year.																	
3	Growth at 2% for prices and 2.5% for costs.																	
4	Sale & purchase costs are ignored.																	

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Typical Vinerow



Removed Merlot