COONAWARRA PREMIUM VINEYARDS PROJECT NO.2
ANNUAL INVESTOR TAXATION SUMMARY
FINANCIAL YEAR ENDING 30 JUNE 2004

A.R.S.N. 096 298 074

Taxation Deductions are in accordance with Australian Taxation Office Product Ruling PR 2001/30.

Deductions on this summary should be mutliplied by the number of units held by each investor.

Total Investment (Per Managed Unit)	2001/ 2002	2002/ 2003	2003/ 2004	Tax Deduction 2003/2004
Shares in CPV Land Holdings Limited	$ 1,357			-
Landcare Operations	$ 17			-
Trellising	$ 922			(a)
Other Infrastructure	$ 48			(b)
Irrigation	$ 1,553			$518 (c)
Power	$ 94			$9 (d)
Grapevines & Planting	$ 323			$34.86 (e)
Land Preparation & Design	$ 158			(f)
Management Fees to 30 June 2002	$ 3,922			-
Management Fees to 30 June 2003		$ 1,184		
Management Fees to 30 June 2004			$ 933	$933 (g)
Grant of Use (Licence fee)	$ 300			-
Grant of Use (Licence fee) 2003		$ 150		
Grant of Use (Licence fee) 2004			$ 158	$158 (h)
Interim Grape Processing Fee			$ 45	$45 (i)
Recoverable Harvest Costs			$ 99	$99 (j)
	$ 8,694	$ 1,334	$ 1,235	

INVOICES RAISED 1 JULY 2003 to 30 JUNE 2004 (Per Unit):

Date	Detail	Fees	GST	Total Invoiced
	Invoice			
31/10/2003	Management Fees 2004	$ 158.55	$ 15.86	$ 174.41
31/03/2004	Management Fees 2004	$ 774.90	$ 77.49	$ 852.39
	Grant to Use (Licence Fee)	$ 157.50	$ 15.75	$ 173.25
30/06/2004	Interim Grape Processing Fee	$ 45.00	$ 4.50	$ 49.50
		$ 1,135.95	$ 113.60	$ 1,249.55

Notes:

Please ensure that the deductions above are mutliplied by the number of units you own in the Project.

If you are not registered for GST your deductions will need to include the GST apportioned to each of the items.

Product Ruling PR 2001/30 confirms that the Commissioner has exercised his discretion under Division 35 not to apply the non commercial loss provisions.

Each investor should seek their own independent advice as this is only a summary and should not be construed as taxation advice.

Explanations of Available Taxation Deductions:

Note: The tax deductions refered to below do not include GST and assume that each Grower is registered for GST. In this situation GST can be claimed back from the Australian Taxation Office and is not deductible for Income Tax Purposes. If you are not registered for GST then the amount of GST paid by you in relation to each of the items of expenditure will form part of the cost of that item and will form part of your deduction.

(a) Division 40 of the Income Tax Assessment Act 1997 ("the 1997 Act") allows a deduction for depreciation on plant and equipment (which includes trellising). Your trellising in the Project was installed by 31 October 2001. The deduction available under Division 40 of the 1997 Act can be calculated using the appropriate depreciation rate. Taxpayers who elect to be "Simplified Tax System" (STS) (division 328) taxpayers and own only 1 unit can claim the full amount as an immediate write-off ($922) as it is less than $1,000. STS taxpayers with more than 1 unit can can allocate the expenditure to a general STS pool and depreciate and a rate of 15% of the cost can in the first year (regardless of the date acquired during the year) and 30% of the balance of the pool in following years. Investors who do not elect to be STS taxpayers and who have only 1 unit can allocate the expenditure to a low-value pool as the value of the trellising is less than $1,000, and a rate of 18.75% of the cost can be claimed in the first year (regardless of the date acquired during the year) and 37.5% of the balance of the pool in following years. Other taxpayers (ie, non-STS with more than 1 unit) should use the Commissioner's depreciation rates of 7.5% diminishing balance or 5% prime cost.

(b) Other infrastructure relates to small and miscellaneous items to be installed around the vineyard, (signs, gates etc.) These items may be deductible when installed, and the Manager will advise the nature of any deductions in future years as they arise.

(c) Section 40-515 (formerly section 387-125) of the 1997 Act allows a 1/3rd deduction for expenditure on water facilities for use in a primary production business in the year the expenditure is incurred, with the remaining 2/3rds deducted equally over the following 2 years. The deduction for the year ending 30 June 2004 is $518.

(d) Section 40-645 (formerly section 387-355) of the 1997 Act permits a deduction for expenditure in connecting power to land. This deduction is spread equally over 10 years, allowing a 10% deduction each year. A deduction of $9 will be available in the year ending 30 June 2004.

(e) In accordance with section 40-515 (formerly section 387-165) of the 1997 Act a deduction is allowed for expenditure on establishing horticultural plants from the time they enter their year of first production.The manager considers that the vines have an effective life for the purposes of section 40-545 of less than 30 years, and therefore a write-off rate of 13% of the original establishment costs can be used. As this is the first year that a deduction can be claimed, the manager estimates that the write-off commences 1 September 2002, and therefore is available for 303 days. $323 x 13% x 303/365 = $34.86 write off for the year ended 30 June 2004

(f) Land Preparation and design costs are of a capital nature and are not deductible to investors.

(g) Management fees relate to activities conducted during the 30 June 2004 year, and $933 is deductible in the 2004 year under section 8-1 of the 1997 Act.

(h) Grant of use fees of $158 relate to the 30 June 2004 year and are deductible in the 2004 year under section 8-1 of the 1997 Act.

(i) The processing fee should be deductible as cost of manufacturing stock, however, the same amount is used to calculate the closing value of trading stock as at 30 June 2004.

(j) Recoverable harvest costs of $99 should be treated as follows:
Cash Tax Payers - $37 claimable as a deduction in the year ended 30 June 2004. The balance of $62, once paid, can be claimed in later years.
Accruals Tax Payers - Harvest costs of $99 should be claimed as a deduction in the year ended 30 June 2004.

COONAWARRA PREMIUM VINEYARDS PROJECT No.2 - STAGE 1

A.R.S.N. 087 876 186
AFS Licence No: 226243

INFORMATION ON COMPLETING YOUR TAX RETURN

FINANCIAL YEAR ENDING 30 JUNE 2004

Completing your income tax return may be complicated for many investors, especially as your investment in the Coonawarra Premium Vineyards Project No.2 means that your are operating a business and you must complete the appropriate business schedules in the tax return.

If you require assistance in completing your tax return, please contact your registered tax agent or alternatively contact the Australian Taxation Office. The ATO website www.ato.gov.au provides guidance and information that may assist you.

The Project returned income to all investors this year, and this must be included as assessable income in your income tax return. Investors will also be able to claim deductions as detailed in Product Ruling 2001/30.

For individual investors, Income and Deductions should be included on the Supplementary Section to your Income Tax Return, and specifically in the Business and Professional Items section of the Return.

INCOME

Cash taxpayers (including Simplified Tax System taxpayers) should include as income for the year ending 30 June 2004 the amount at item "B" on the 2004 Vintage Estimated Distribution Notification. This is titled Receipts from wineries as at 30 June 2004. See Tables below.

Non-Cash (Accrual) taxpayers should include the amount at item "A" on the 2004 Estimated Distribution Notification as income for the year ended 30 June 2004 - "Total estimated income for the 2004 vintage".

	Estimated 2004 Vintage Income	**AMOUNT TO BE INCLUDED IN 2004 INCOME TAX RETURN**
Accruals	51.00	**51.00**
Cash	37.00	**0.00**

Note: For taxpayers on a cash basis, grape proceeds not collected from wineries prior to 30 June 2004 will need to be included as assessable income in the year of collection (which will be advised in future notices). Grape Proceeds not collected as at 30 June 2004 are $14 for year ended 30 June 2004. For taxpayers on a cash basis the grape proceeds of $37 are offset against recoverable harvest cost of $37. The balance of $62 allowable as a deduction once paid in later years.

EXPENSES

Deductions for expenditure incurred in respect of the Project are outlined on the reverse side of these notes.

Further deductions may be available for interest on any loans that you have taken out to finance your investment.

Recoverable harvest costs of $99 should be treated as follows:
Cash Tax Payers - $37 claimable as a deduction in the year ended 30 June 2004. The balance of $62, once paid, can be claimed in later years.
Accruals Tax Payers - Harvest costs of $99 should be claimed as a deduction in the year ended 30 June 2004.

BUSINESS ACTIVITY STATEMENT

Investors who have registered for GST will need to include the expenses to the Project on their Business Activity Statement in the quarter that it relates. The amount to include will depend on whether you are cash or non-cash registered.

If you are registered on a cash basis then you need to include expenses actually paid in the relevant quarter. Investors will need to keep their own records of payments made, as a fee may be charged to provide this information.

If you are registered on a non-cash/accruals basis then you need to include expenses in the quarter the invoice is dated as.

Note that there is no GST on grape income and trust distribution income.

TRADING STOCK

GROWERS SHOULD ALSO INCLUDE THE VALUE OF THE BULK WINE ON HAND AS AN AMOUNT FOR TRADING STOCK. EACH GROWER UNIT IS ENTITLED TO 135 LITRES OF WINE. THE CLOSING VALUE OF STOCK IS CONSIDERED TO BE $45 PER INTEREST (PROCESSING COSTS) AND THE COST FOR THE TRADING STOCK IS CONSIDERED TO BE $45 PER INTEREST.

Coonawarra Premium Vineyards Project No.2 – Stage 1
2004 VINTAGE & ESTIMATED DISTRIBUTION REPORT

Vintage and Coonawarra
Vintage 2004 has been a particularly hard year for the wine industry. Although favorable weather conditions were experienced during the flowering period, rain periods and cool weather during harvest have caused slight problems to grape quality. Grape purchasers have been moving away from long term contracts, and the perceived oversupply of red grape varieties is expected to markedly reduce their price.

The total crop harvested this year was **137 tonnes**, with individual tonnages for each variety itemised in the table below. We estimate that this will equate to total Project income of around **$48,180** after recoverable harvesting costs (subject to final adjustments), after sale of the Sauvignon Blanc for $28,290.00 and assuming the bulk wine is sold after processing costs at $1 per litre, or $135.166 per unit.

Distributions
Wineries pay for their grapes in installments, with an initial payment due in the month after harvest. The second installment is due by 30 June and the final installment being paid by 30 September. This final installment is adjusted for the finalised 2004 grape prices and any quality bonuses or penalties. It should be noted that as we harvested much of the vineyard this year during May, the first and second installments for a large part of the vineyard were due to be received by the Project by the end of June.

Processing
The 118 tonnes of grapes harvested and not sold, have been sent to Great Stone Winery for processing. The resulting bulk wine of approximately 74,340 litres after processing, filtration, evaporation and relocation will be placed with an agent to be sold on the bulk wine market. Even in the current climate we consider it reasonable to assume that the bulk wine will be sold for more than the harvesting, processing, storage and marketing costs. Distribution will be made to investors once the wine is sold. (See Table: Bulk Wine Price Assumptions)

Bulk Wine Price Assumptions

82,600 litres made less 10% shrinkage* = 74,340 litres

Price Per Litre	$0.75	$1.00	$1.50
Total	$55,755	$74,340	$111,510
Per Unit	$101.37	$135.16	$202.75

*losses from filtration, evaporation and relocation

A first and final distribution will be made to investors in November 2004. (see Estimated Distribution Table below).

These distributions will be made by electronic transfer to your nominated Australian bank account. Please advise if your bank details have changed or haven't yet been provided.

Taxation
A full taxation summary and instructions have been enclosed. This explains both the taxation deductions for the Project, along with details on how to include this income in your tax return. Instructions on Business Activity Statements have also been included.

Estimated Distribution

Estimated Project Income (subject to final adjustments)	*No Bulk Wine Sold*	*Bulk Wine Sale at $1.00*	*Total*
Total Project – Stage 1	*Per Unit*	*Per Unit*	*Per Unit*
$28,290 ($1,500 per tonne) (Sauvignon Blanc)	$51.00(a)	$135.16	$186.16

First & Final Estimated Distribution - 30 November 2004	*No Bulk Wine Sold*	*Bulk Wine Sale at $1.00*	*Total*
	Per Unit	*Per Unit*	*Per Unit*
	$0.00 (c)	$135.16	$87.16 (b)

(a)Amount prior to deduction of harvest costs of approx $54,450 ($99 per unit)
(b) After deduction of harvest costs of approx $99 per unit
(c) Harvest costs of $48 per unit carried forward and still to be recovered.

Grape Variety	2004 Actual Tonnes	Litres of Bulk Wine	($) 2003 Prices
Cabernet Sauvignon	27.17	20,378	1,891.00
Chardonnay	11.40	8,495	1,449.00
Merlot	49.30	38,206	1,824.00
Shiraz	30.30	23,688	1,858.00
Sauvignon Blanc	18.90	N/A*	1,350.00
Total	137.07	90,767**	
Per Unit	0.25	165.03**	

*Sold for $28,290 at $1,500 per tonne
**After processing 82,600 litres approximately available for sale as bulk wine (or 150 litres per unit)