

COONAWARRA PREMIUM VINEYARDS PROJECT NOTES TO JUNE 2008 FEES AND COST INVOICES

Invoices issued June 2008

Three separate tax invoices have been issued in June 2008:

Recoverable Cost Invoice

The tax invoice for costs recovered, enclosed with this note, is for information purposes to show how much GST has been paid in the June 2008 quarter. If you are registered for GST this should be included in your BAS. The costs shown on it have been deducted from grape proceeds. Details of the costs and proceeds are discussed below.

Management Fee

The normal management fee invoice was sent to you on 1 June 2008. The calculation of management fees is discussed in the following section. This invoice was due to be paid in full by the end of the June 2008.

Grant of Use fee

The normal grant of use fee invoice was sent to you on 1 June 2008. The calculation of grant of use fees is discussed in the following paragraph. This invoice was due to be paid in full by the end of the June 2008.

Fees for 2008/9 – CPI Increase

The Project constitution requires the annual Adelaide CPI increase to be applied to the base management fees set out in the Prospectus (page 112). This year the increase was 4.48%. The base management fee for 2008/9 was \$751 resulting in the management fee of \$784.66 per unit plus GST. [Please note the Project is actually one year later than the dates shown in the Prospectus].

The Project constitution also requires the annual Adelaide CPI increase to be applied to the previous year's grant of use fees, subject to a minimum of 3%. The grant of use fee for 2007/8 was \$714.36 (\$178.59 x 4) resulting in the grant of use fee for 2008/9 being \$186.69 per quarter (\$746.40 per annum) per unit plus GST.

If you have been unable to pay the invoice in full by 30 June 2008, please contact Liz Sorensen on (08) 8338 3400 or Liz@coonawarravineyard.com.au to make her aware of your situation. Liz may be able to make an arrangement with you so that you can clear the debt over time (interest charges may apply).

2008 Pooled Harvest Summary

| | Tonnes harvested | Tonnes sold | Est. proceeds of grapes sold | Invoiced to 30 June 2008 | Est. 3rd instalment due to 30 Sept 2008 |
|--------------------|---------------------|-----------------|---------------------------------|-----------------------------|--|
| Chardonnay | 99.28 | 99.28 | \$ 81,406 | \$ 54,271 | \$ 27,135 |
| Sauvignon Blanc | 64.93 | 64.93 | \$ 98,686 | \$ 65,791 | \$ 32,895 |
| Petit Verdot | 75.58 | 46.36 | \$ 49,502 | \$ 33,001 | \$ 16,501 |
| Merlot | 110.48 | 92.62 | \$ 107,074 | \$ 71,383 | \$ 35,691 |
| Shiraz | 530.13 | 502.90 | \$ 571,354 | \$ 380,902 | \$ 190,451 |
| Cabernet Sauvignon | 454.38 | 454.38 | \$ 614,477 | \$ 409,652 | \$ 204,826 |
| | 1,334.78 | 1,260.46 | \$ 1,522,500 | \$ 1,015,000 | \$ 507,500 |
| Per unit | 0.602 | | \$ 686.12 | \$ 457.41 | \$ 228.71 |

The distribution of proceeds less any further costs to be deducted (see below) will be made on 28 November 2008.

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Harvest Totals – grapes sold

Of the 1,334.8 tonnes of grapes harvested during the 2008 vintage, 1,260.5 tonnes were sold. The 74.3 tonnes of unsold red grapes were processed into bulk wine at Rocland Winery in the Barossa. As per prior vintages Casella purchased all grapes from their contracted blocks at District Weighted Average Prices (DWAP). Due to Grant Burge Wines defaulting on their contract in 2006, that contract was assigned to Watson Wine Group (WWG) at DWAP. The effect of the assignment is that WWG stands in the place of Grant Burge Wines and purchased the grapes at DWAP.

The grapes from blocks 2 to 6 that were initially contracted to Nugan, and block 7 (originally contracted to Beelgara Estate) were put out to tender for 2008. CPVL received a sound response to the tender, with Fox Creek, Boars Rock, de Bortoli, and WWG being successful with their bids. The tender prices were quite varied. Some were below commercially acceptable rates and these were not accepted. For commercial confidentiality reasons the tender prices have not been published in these notes. All grapes sold to WWG were at DWAP.

We are hopeful that the 2008 DWAP's will at least equal the 2007 DWAP's due to continued restricted supply because of the harsh weather conditions during the 2007 season. However we are unable to provide an exact amount of the grape distribution until the 2008 DWAP's are released in August or September 2008.

A total of \$1,015,000 has been invoiced to the wineries in respect of the 1,260 tonnes of project grapes sold. A further instalment will be invoiced by the Project at the end of September when the final 2008 DWAP are known and any adjustments are made for bonuses or penalties that may apply.

Nugan Settlement Proceeds

As per previous communications a settlement was reached in 2006 with Nugan for their contract. In addition to the Nugan settlement proceeds distributed in the November 2007 CPV distribution (\$318.67 per unit); further proceeds of \$101.78 per unit are due to be received on 30 September 2008.

Processing Costs: 2008 Harvest Totals – Uncontracted Blocks

Processing costs for the unsold 2008 grapes from the uncontracted blocks amounted to \$14.87 per unit.

Storage Costs: bulk wine from Nugan Blocks

Storage, transportation and associated insurance costs were incurred during the year looking after the bulk wine inventory from the Nugan Blocks as a result of Nugan not taking all their contracted grapes in 2006. This bulk wine is progressively being sold with proceeds of \$88,717 received since the November 2007 CPV Distribution. Every effort is being made to sell this wine. Approximately 270,000 litres of 2006 red wine remains on hand as at 25 June 2008 as well as 59,000 litres from the 2008 vintage.

Frost Protection System Improvements

Following the severe drought in 2006/7 the water table has fallen significantly. This meant that the water became very sandy and the filters were quickly blocked by sand at the base of the bores that service the frost protection system. Accordingly these bores have had to be deepened to ensure that they will continue to be operable should the severe frost season of 2006 be repeated. The opportunity was also taken to upgrade the filters to cope with more sand in case the water table drops further in the future.

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Costs deducted from estimated gross proceeds

The 2008 estimated distribution is expected to be less than the 2007 distribution because not all harvested grapes were sold and settlement amounts received from the Nugan claim are reduced in the years from 2008 onwards.

| | <u>Total \$</u> | <u>Per unit \$</u> |
|--|-----------------|--------------------|
| 2008 estimated grape proceeds | 1,522,500 | 686.12 |
| Add proceeds of bulk wine sales to date (inc GST) | 300,966 | 135.63 |
| Add Nugan settlements due and receivable Sept 2008 | | <u>101.79</u> |
| | | 923.54 |
| Less costs incurred on behalf of Growers | | |
| Harvest costs 2008 | 147,371 | 66.41 |
| Processing costs 2008 | 32,996 | 14.87 |
| Bulk Wine Storage, Transport & Insurance | 23,862 | 10.75 |
| Frost system improvements | 62,062 | 27.97 |
| Viticulture, valuation, tax advice & brokerage | <u>264</u> | <u>0.12</u> |
| | <u>266,291</u> | <u>120.12</u> |
| Add GST | <u>26,629</u> | <u>12.01</u> |
| Total costs deducted/recovered | <u>292,920</u> | <u>132.14</u> |
| Estimated net proceeds # | | 791.40 |

subject to further storage, transport and marketing costs that may be incurred relating to bulk wine inventory, fluctuations in grape prices, baume bonuses and penalties (where applicable), future bulk wine sales and collections from customers.

A tax invoice for these costs is included with these notes to enable you (if you are registered for GST) to claim the GST paid during the June 2008 quarter on your share of these charges.