

**COONAWARRA PREMIUM VINEYARDS PROJECT NO.2 STAGE 2
NOTES TO JUNE 2005 FEES AND COSTS INVOICES**

Invoice issued June 2005

A tax invoice has been issued in June 2005 for recoverable costs that have been partly set off against grape proceeds. It is enclosed with this note. The costs shown on the tax invoice have been deducted from grape proceeds and bulk wine sales to the extent possible and the balance is payable by 15 July 2005.

The normal management fee and grant of use fee invoice for the year ending 30 June 2005 was sent to you in March 2005 and should have been paid by 31 March 2005.

Management Fees for 2004/5 – CPI Increase

The Project constitution requires the CPI for the City of Adelaide for the years since March 2002 to be applied to the base management fees per the Prospectus of \$889. The increase was 2.15% for 2003/4 added to the CPI of 5.0% for 2002/3 resulting in the fee of \$952.56 per unit.

Harvest Totals – grapes sold

111 tonnes of grapes were harvested from the second stage of Project No.2. Despite the efforts of the Responsible Entity (RE) to obtain long term contracts for sale of the grapes there are no long term contracts in place for the sale of any grapes. The well-publicised over-supply of red grapes continues this year. A large number of wineries were approached but only one offer was received, for some shiraz grapes. Those grapes were not sold. The proceeds of the sauvignon blanc and chardonnay crops will make a contribution towards the harvest costs of the Project 2 vineyards and other recoverable costs.

45 tonnes of shiraz were sold to Watson Wine Group (WWG) at District Weighted Average Prices. Proceeds from this sale are receivable in three instalments.

A total of \$26,700 has been invoiced to WWG in respect of these grapes. \$13,350 has been received to date with the balance receivable by 30 June 2005. This is two thirds of the value of the 2005 harvest, calculated at 2004 prices. A further instalment may become receivable by the Project at the end of September when the final 2005 prices are known. This has been included in the table below in the column marked **. Growers need to be aware that the 2005 prices may be less than the 2004 prices, in which case the total proceeds will be less than that shown below.

2005 Harvest Summary

Variety sold	Tonnes of grapes	2004 DWA prices \$	Invoiced to date \$	Estimated 3rd (**) instalment	Total @ 2004 DWA prices
Grapes Sold					
Shiraz	45.00	\$890	\$26,700	\$13,350	\$40,050
Total grapes sold	45.00		\$26,700	\$13,350	\$40,050
Per unit	0.242		\$144	\$72	\$215
Grapes not sold					
Shiraz	43.76	\$890	\$0	\$0	\$38,946
Cabernet Sauvignon	21.80	\$1,146	\$0	\$0	\$24,983
Total grapes not sold	65.56		\$0	\$0	\$63,929
Per unit	0.352		\$0	\$0	\$344

Should \$40,050 be the final proceeds from grape sales this would result in gross grape proceeds of about \$215 per unit..

**COONAWARRA PREMIUM VINEYARDS PROJECT NO.2 STAGE 2
NOTES TO JUNE 2005 FEES AND COSTS INVOICES**

Processing Costs: 2005 Harvest

66 tonnes of red wine grapes were harvested but not sold. The grapes could not be left on the vines as this would have been detrimental to the following year's crop. The RE had the choice of harvesting the grapes and leaving them on the ground (with nil proceeds and no prospects of any) or processing them into bulk wine. [Wine grapes cannot be stored long term.] The RE elected to process the grapes at Orlando Wyndham's Russet Ridge Winery, where the fruit purchased by WWG was also processed, taking advantage of WWG's bulk purchasing agreement. These grapes are expected to produce approximately 44,000 litres of bulk wine for sale.

Costs of \$410 per tonne of grapes, including additives, have been incurred in processing and storing the 2005 bulk wine. This amount is payable to the winery in 4 instalments (May, July, August and September) totalling \$26,880 (\$144.50 per grower unit). An invoice for the first two instalments (\$72.25 per unit) is enclosed and is payable to the RE by 15 July 2005. The other two instalments of the processing charges are payable in August and September 2005. To the extent possible these costs will be settled by deduction from proceeds of future sales of bulk wine. However, should proceeds not be sufficient a further invoice will be forwarded to growers for payment in September 2005.

Processing and Storage Costs: 2004 Harvest

No bulk wine from the 2004 vintage has been sold to date. Approximately 42,800 litres of Project wine remains on hand, mainly at Great Stone Winery (Coonawarra) with the balance at Boars Rock Winery (Langhorne Creek).

Various costs have been offset against grape sale proceeds, or will be offset once the payments due by 30 June 2005 have been received in full. These costs comprise outstanding processing costs for 2004 bulk wine (third instalment of the processing charge, plus filtering of the bulk wine to make it ready for sale), the balance of 2004 harvest costs not previously withheld, transport and storage costs incurred to date for the 2004 bulk wine.

Further storage and marketing costs may continue to be incurred in relation to the 2004 bulk wine. These further costs will either be invoiced to you or be deducted from sale proceeds. Agents have been retained to sell the bulk wine. It is hoped that the wine can be sold in the near future, but given the difficult state of the market this may not be possible.

Even in the current climate we still consider it reasonable to assume that the bulk wine will be sold for more than the harvesting, processing, storage and marketing costs required to make it.

Costs partly deducted from estimated gross proceeds

	<u>Total \$</u>	<u>Per unit \$</u>
2005 estimated grape proceeds, at 2004 prices, as above	40,050	215.32
	40,050	215.32
<u>Less costs incurred on behalf of Growers:</u>		
Balance of 2004 harvest costs brought forward	14,460	77.74
Storage costs 2004 bulk wine	2,083	11.20
Transport costs moving 2004 bulk wine	1,090	5.86
Harvest costs 2005 (estimate)	18,801	101.08
First 2 instalments of processing costs 2005	13,440	72.26
	49,874	268.14
Add GST	4,987	26.81
Total costs deducted/recovered	54,861	294.95
Net proceeds (deficit) #	(14,811)	(79.63)

subject to further storage, transport and marketing costs that may be incurred relating to bulk wine inventory, and fluctuations in grape prices

A tax invoice for the undeducted part of these costs is included with these notes.

COONAWARRA PREMIUM VINEYARDS PROJECT NO.2 STAGE 2
NOTES TO JUNE 2005 FEES AND COSTS INVOICES

Invoice Payment Terms

Those growers on a cash basis of accounting and wishing to claim the full tax deduction for these fees in the 2004/5 financial year (subject to the non-commercial loss provisions) should pay the cost recovery invoice dated 15 June 2005 in full before 30 June. Otherwise it is payable by 15 July 2005.

Any net proceeds from further sales of bulk wine received prior to 20 November 2005 will be distributed on 30 November. Proceeds from subsequent sales will be distributed next year.

Formal Notification

In July all growers will be sent the usual notification of final harvest details, collection of grape proceeds and taxation information for the 2004/5 financial year regarding their holding in the Project.