

Our ref: PNP:606821

2 December 2010

Crawford Legal
PO Box 121,
Rundle Mall SA 5000

Dear Sirs

Coonawarra Winegrape Project ("Project")

We refer to our discussions of 1 December 2010.

We are instructed as follows:

1. Burke Reshke on behalf of Koonara Management Limited ("**Koonara**") and Therese Melville on behalf of Huntley Management Limited ("**Huntley**") have agreed that the following amounts will be invoiced to Growers in the Project for the period up to and including 30 June 2010:
 - 1.1 \$3,179.18 for the Growers who came into the Project through Prospectus No. 1;
 - 1.2 \$2102.70 for the Growers who came into the Project through Prospectus No. 2.

Huntley now proposes to issue those invoices.

2. Huntley is prepared to assign to Koonara the amounts payable by the Growers to Huntley Management Limited in those invoices.
3. Huntley owes certain duties to the Growers including without limitation the duty to act in the best interest of Growers. Therefore it is not prepared to invoice Growers for the management fees for the 12 months commencing 1 July 2010 because the Growers will not receive the benefit of any grape or wine sales from the 2011 vintage.
4. After consultation with Therese Melville, it appears that Mr Knox was mistaken in relation to the inclusion of the expenses of Huntley in the management fees charged to the Growers. The amounts charged to the Growers is the amount chargeable to those Growers under the terms of the Project Constitution.
5. When Huntley agreed to replace Advanced Horticultural Management Limited (**AHM**) as responsible entity of the Project, it was on the basis that it would be paid on the same basis as AHM. This basis included recovery of the expenses which Huntley has paid from the fees received from the Growers to which it is

entitled under the Constitution referred to in the correspondence with Burke Reschke.

6. After Huntley was appointed as responsible entity, Huntley sought to enter into a Management Agreement with Koonara as in its view the previous agreement with AHM did not statutorily novate to Huntley from AHM because any liability under that previous agreement was not a liability for which AHM was entitled to be indemnified out of scheme property such as the fees payable to Koonara under that agreement and therefore the exception in section 601FS(2)(d) and 601FT(2) of the Corporations Act applied. This view has been confirmed by the Full Federal Court in *Australian Olives Holdings Pty Ltd v Huntley Management Limited* [2010] FCAFC 76 (29 June 2010). Koonara refused to enter into a new agreement. Therefore at present there is no agreement. However notwithstanding that position Huntley is prepared to pay to Koonara all fees invoiced and received from Growers less the following amounts:

- 6.1 \$268,081.80 inclusive of GST on account of the annual fees that would have been payable to AHM under the Management Agreement if it had statutorily novated;
- 6.2 \$80,665.25 for GST remittances;
- 6.3 \$119,229.70 on account of the following disbursements in accordance with the agreement as between AHM and your company while AHM was the responsible entity of the Project;

Bank fees	\$ 804.50
Merchant fees	\$ 676.55
HCL Custody fees	\$36,752.12
Compliance Plan Audit	\$13,750.00
Tasecom Consulting (RM fees)	\$ 22,472.04
ASIC Fees	\$ 4,065.00
Bank audit certificate fees	\$ 70.00
Henry Melville & Co – accounting fees	\$ 33,441.09
Weekes & Co – audit fees	\$ 6,600.00
HML Travel	\$ 576.40
Courier costs	\$ 22.00

- 6.4 \$38,888.24 on account of the following disbursements which were due to your failure to provide Huntley Management Limited with the necessary information to complete the audits and for the restructure proposed by you:

Piper Alderman	\$28,871.48
Rockliffs – legal	\$ 7,902.07
Bradley Jones	\$ 1,534.50
Postage	\$ 274.94
Printing	\$ 305.25

6.5 \$150,000 being amounts already paid to you.

This leaves a balance of \$26,483.95 in the scheme bank account available to pay to Koonara. However this will be retained to cover the costs of the proposed meeting of Growers and the potential Court proceedings to wind up the Project should the Growers (including yourself) not pass an extraordinary resolution to wind up the Project.

Huntley is currently reviewing the extent to which these costs may be included in the invoices to Growers pursuant to clause 18.4 of the Constitution and clause 5.4 of the Joint Venture Agreement.

7. Koonara, without consultation with Huntley, proceeded with the harvest of the 2010 vintage and the wine production there from, notwithstanding to do so was to the knowledge of Koonara uneconomic, the expenses being approximately three times the value of the production. However Huntley is prepared to invoice Growers on the basis that these expenses were properly incurred by Koonara but will accept no liability for the same. The amounts will be assigned to Koonara but it must bear any recovery difficulties from Growers as a result of its aforesaid conduct.

Yours faithfully
KEMP STRANG

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Partner
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