

**Prince Hill Wines Limited (“PHW”)**

ABN 99 000 094 995

**RIGHTS ISSUE OFFER DOCUMENT PURSUANT TO  
SECTION 708AA(2) CORPORATIONS ACT 2001**

A renounceable rights issue to existing shareholders of one (1) New Share at an issue price of 3.0 cents each for every one (1) Share held to raise approximately \$3,196,593 before costs of the Offer

The last date for application is 27 May 2008.

**THIS DOCUMENT IS NOT A PROSPECTUS. THIS DOCUMENT DOES NOT CONTAIN ALL OF THE INFORMATION THAT AN INVESTOR MAY REQUIRE IN ORDER TO MAKE AN INFORMED DECISION REGARDING THE NEW SHARES OFFERED BY THIS DOCUMENT. THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY. IF YOU HAVE ANY QUERIES, PLEASE CONSULT YOUR STOCKBROKER OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.**

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## Summary of important dates

Announcement and lodgement of Appendix 3B with ASX	21 April 2008
Notice of pro-rata offer to all shareholders	22 April 2008
Shares quoted ex-rights and rights trading commences	1 May 2008
Record Date to determine entitlement to rights	7 May 2008
Lodgement of section 708AA(2) notice with ASX	8 May 2008
Offer Document despatched with Entitlement and Acceptance Form and announcement to ASX that despatch completed	9 May 2008
Rights trading ends	20 May 2008
Closing Date of Offer	27 May 2008
Notify ASX of Shortfall	29 May 2008
Allotment of New Shares and despatch of holding statements for New Shares and lodgement of section 708A notice with ASX	2 June 2008
Commencement of trading of New Shares on ASX	3 June 2008

**Note: These dates are indicative only, and PHW reserves the right (subject to the Corporations Act and the Listing Rules) to vary the dates and times of the Offer without notifying you.**

## Important notice

The Offer made pursuant to this Offer Document is for a rights issue of continuously quoted securities (as defined in the Corporations Act) of PHW. This Offer Document is not a disclosure statement for the purposes of Chapter 6D of the Corporations Act. PHW is offering the securities under this Offer Document without disclosure to investors under Chapter 6D of the Corporations Act pursuant to section 708AA of the Corporations Act. Accordingly, the level of disclosure contained in this Offer Document is significantly less than that required under a prospectus and Eligible Shareholders should consider all relevant facts and circumstances, including their knowledge of PHW and disclosures made to the ASX and should consult their professional advisers before deciding whether to accept the Offer.

New Shares will only be issued on the basis of this Offer Document in accordance with the terms set forth in this Offer Document.

As at the date of this Offer Document, PHW has complied with:

- the provisions of Chapter 2M of the Corporations Act, as they apply to PHW; and
- section 674 of the Corporations Act.

## No Excluded Information

As at the date of this Offer Document PHW is not aware of any excluded information of the kind which would require disclosure in this Offer Document pursuant to subsections 708AA (8) and (9) of the Corporations Act.

This Offer Document is dated 21 April 2008. A copy of this Offer Document was lodged with the ASX on 21 April 2008. ASX takes no responsibility for the content of this Offer Document.

This Offer Document does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the New Shares or the Offer or otherwise permit the offering of the New Shares in any jurisdiction outside Australia and New Zealand.

This document is important and requires your attention. It should be read in its entirety.

Definitions of certain terms used in this Offer Document appear in the Glossary.

<b>Offer Statistics</b>	
<b>Existing Shares on Issue:</b>	<b>106,553,100</b>
<b>Rights Issue Ratio:</b>	<b>1:1</b>
<b>Number of New Shares to be Issued:</b>	<b>106,553,100</b>
<b>Issue Price:</b>	<b>\$0.03</b>
<b>Rights Issue Proceeds (before costs):</b>	<b>\$3,196,593</b>

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## Managing Director's letter

**Registered Office**  
235 Glen Osmond Road  
FREWVILLE SA 5063:

Postal Address:  
PO Box 6243  
Halifax Street  
ADELAIDE SA 5000

Telephone: +61 8 8338 3400  
Fax: +61 8 8338 3244

Prince Hill Wines Limited  
ABN: 99 000 094 995

**Winery Address:**  
1220 Castlereagh Highway  
APPLE TREE FLAT  
VIA MUDGEE NSW 2850

Postal Address:  
PO Box 1115  
MUDGEE NSW 2850

Telephone: +61 2 6373 1245  
Fax: +61 2 6373 1350

21 April 2008

Dear Shareholder,

On behalf of the Directors I am pleased to invite you to take up your entitlement to subscribe for new fully paid ordinary shares ("New Shares") in Prince Hill Wines Limited ("the Issue").

PHW is making a renounceable rights issue of one (1) ordinary New Share at three (3.0) cents per share for every one (1) ordinary Share held, to raise \$3,196,593 before costs associated with the Issue.

The purpose of the Issue is set out in the Rights Issue Offer Document.

The Offer is open from 9 May 2008 and is due to close 27 May 2008. Pursuant to the Corporations Act, PHW is not required to prepare a prospectus for the Issue. A summary of the key information with respect to the Issue is set out in the Rights Issue Offer Document. Please read the Rights Issue Offer Document carefully before deciding whether or not to invest. If there is any matter on which you require further information, you should consult your stockbroker or other professional advisor.

On behalf of the Directors, I invite you to participate in this Issue.

Yours Sincerely,

Andrew Parkinson  
Managing Director

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## **1. Details of the Offer**

### **1.1 The Offer**

PHW is making a renounceable rights issue of New Shares at 3.0 cents per New Share to raise approximately \$3,196,593 before costs associated with the Issue are paid. Shareholders of PHW are entitled to subscribe for one (1) New Share for every one (1) Share held. Only those Shareholders (other than Excluded Shareholders) shown on the share register at 5.00pm (Sydney time) on the Record Date will be entitled to participate in the Issue.

When fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares.

The issue price for the New Shares is payable in full on application. The Issue is not underwritten.

### **1.2 How to Accept Your Entitlement**

Shareholders may accept their Entitlement either in whole or in part.

The number of New Shares to which Shareholders are entitled to is shown on the Entitlement and Acceptance Form which accompanies this Offer Document.

If Shareholders take no action in respect of their Entitlement they will have no right to subscribe to the New Shares pursuant this offer.

Entitlements to New Shares can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which is attached to this Offer Document in accordance with the instructions set out on the Entitlement and Acceptance Form and forwarding the completed Form together with your cheque or bank draft for the full amount payable so as to reach PHW no later than 5.00pm (Sydney time) on the Closing Date.

The amount payable on acceptance will not vary during the period of the Offer and no further amount is payable on allotment. Application Monies will be held in trust in a subscription account until allotment of the New Shares. The subscription account will be established and kept by PHW on behalf of the Applicants. Any interest earned on the Application Monies will be retained by PHW irrespective of whether the allotment takes place.

### **1.3 Purpose of the Offer**

The money raised by the Offer (net of costs) will be used to provide additional working capital for PHW (for example, to continue to fund and support an improved marketing and sales program). In the interim, surplus funds will be used for the short term reduction in borrowings. Further details are provided in sections 1.14 and 1.15 of this Offer Document.

### **1.4 Listing on the ASX**

Application will be made by PHW for the New Shares to be granted quotation on the official list of ASX within seven days of the date of this Offer Document. If official quotation is not obtained within 3 months of the date of this Offer Document, all Application Monies will be refunded without interest and the Issue will not proceed.

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## 1.5 Allotment

No allotment of New Shares will be made until the proceeds of the Offer have been received and permission is granted for quotation of the New Shares on ASX. It is expected that allotment of the New Shares will take place by 2 June 2008.

## 1.6 Rights attaching to New Shares

New Shares issued under this Offer will be Shares in PHW and will rank equally from the date of allotment with all Shares in PHW then on issue.

Full details of the rights attaching to Shares are set out in PHW's constitution, a copy of which may be inspected at PHW's registered office.

## 1.7 Overseas Shareholders

This Offer Document does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The Offer is not being extended to, and New Shares will not be allotted to, shareholders with a registered address which is outside Australia and New Zealand (the Excluded Shareholders).

PHW has decided that it is unreasonable to make the Offer to Excluded Shareholders having regard to:

- the number of Excluded Shareholders in the place where the Offer would be made;
- the number and value of New Shares the Excluded Shareholders would be offered;
- the cost of complying with the legal requirements and requirements of a regulatory authority, in the respective overseas jurisdictions.

PHW will send details of the Offer to each Excluded Shareholder and advise each Excluded Shareholder that the Offer will not be extended to them.

In compliance with Listing Rule 7.7.1, PHW has appointed a nominee approved by ASIC to arrange for the sale of the Rights which would have been granted to Excluded Shareholders, and to account to them for the net proceeds of the sale (if any). The nominee appointed by PHW for this purpose may in its sole discretion determine the price at which the Rights may be sold and the manner of any such sale. Neither PHW nor the nominee will be subject to any liability for failure to sell the Rights or to sell the Rights at any particular price.

The net proceeds of the sale (if any), after deducting all costs involved in the sale (including brokerage) and subsequent distribution of such proceeds, will be distributed in due proportion to each of the Excluded Shareholders for whose benefit the Rights would have been sold.

If, in the nominee's opinion, there is no viable market for the Rights of Excluded Shareholders, such Rights will be allowed to lapse with no payment to Excluded Shareholders.

The distribution of this Offer Document outside Australia may be restricted by law and anyone who receives this Offer Document should consult his, her or its professional advisers to determine whether any government or other consents are required or formalities need to be observed.

Lodgement of an Entitlement and Acceptance Form will be taken by PHW to constitute a representation by the Applicant that no breaches of any overseas law or regulation have occurred.

Applicants who are nominees or who propose to act as nominees should consult their professional advisers.

### **1.8 Allotment and Allocation Policy**

PHW will proceed to allocate New Shares as soon as possible after the Closing Date and receiving ASX permission for official quotation of the New Shares.

Successful Applicants will be notified in writing of the number of New Shares allocated to them as soon as possible following the allocation being made.

It is the responsibility of Applicants to confirm the number of New Shares allocated to them prior to trading in New Shares. Applicants who sell New Shares before they receive notice of the number of New Shares allocated to them do so at their own risk.

### **1.9 Chess**

PHW will apply to the ASX for the New Shares to participate in the Securities Clearing House Electronic Subregister System known as CHESS. CHESS is operated by the ASX's Securities Clearing House ("SCH") in accordance with that ASX Listing Rules and the SCH Business Rules. After allotment of the New Shares, those who are issuer sponsored holders will receive an issuer sponsored statement and those who are CHESS holders will receive an allotment advice.

The CHESS statements, which are similar in style to bank account statements, will set out the number of New Shares allotted to each successful applicant pursuant to this Offer Document. The statement will also advise holders of their holder identification number. Further statements will be provided to holders which reflect any changes in their holding in PHW during a particular month.

### **1.10 Rights Trading**

Entitlements to New Shares pursuant to the Issue are renounceable and therefore may be sold by you. It is proposed that the rights trading on the ASX will commence on 1 May 2008 and cease on 20 May 2008. Further details are set out in section 2.1 of this Offer Document.

### **1.11 Minimum Subscription**

There is no minimum subscription to the Issue.

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## 1.12 Options

Options to take up Shares have been granted as follows:

Grant Date	Expiry Date	Exercise Price	Number under option
7 April 2004	30 Nov 08	\$0.22	1,200,000
7 April 2004	30 Nov 09	\$0.26	1,200,000
7 April 2004	30 Nov 09	\$0.30	600,000
7 April 2004	30 Nov 08	\$0.22	4,300,000
7 April 2004	30 Nov 09	\$0.26	3,500,000
7 April 2004	30 Nov 09	\$0.30	1,800,000
12 May 2007	30 Nov 09	\$0.10	3,000,000
TOTAL			15,600,000

Optionholders will not be entitled to participate in the Issue unless they:

- (a) have become entitled to exercise their Existing Options under the terms of their issue and do so prior to the Record Date; and
- (b) participate in the Issue as a result of being a holder of Shares registered on the share register at 5.00pm (Sydney time) on the Record Date.

There are currently 15,600,000 Options on issue. All Existing Options are subject to various performance hurdles and are exercisable at any time provided relevant performance hurdles are satisfied. Even if the performance hurdles are satisfied, given that the exercise price for every tranche is well in excess of the current market price of the Shares, it is unlikely that any of the Existing Options would be exercised during the offer period. However, in the event that the Existing Options were eligible for exercise and if all entitled Optionholders elect to exercise their Existing Options prior to the Record Date to participate in the Issue, a further 15,600,000 New Shares may be issued under this Offer Document.

## 1.13 Financial Position

The capital structure of PHW is set out in section 3.2 both as at 30 June 2007 and 31 December 2007 and as a pro forma reflecting the take up of the rights issue.

PHW's cash resources have now been significantly depleted to less than \$200,000 due to partial repayment of debt, trading losses and payment of purchase instalments for the Cassegrain Wines business.

The Directors do not believe that there will be any significant improvement in the operating results for the current year and as such estimate an operating loss in the order of \$1,500,000 before start up costs in relation to the distribution joint venture company (The Wine List Pty Ltd).

PHW will continue with its discussion with various parties to sell the winery and land at Mudgee, NSW.

#### **1.14 Outlook**

The recapitalisation of PHW will provide additional working capital (for example, to continue to fund and support an improved marketing and sales program). In the interim, surplus funds will be used for the short term reduction in borrowings.

As the Cassegrain Wines business and PHW business continue their integration it is expected to result in further cost efficiencies and the ability to spread overhead costs across a larger sales base. More focussed marketing efforts will be directed to both the domestic and export markets.

It is considered that there will be no material improvement in financial performance in the short-term, and it is anticipated that there will be a further loss in the 6 month period 1 January 2008 to 30 June 2008.

In the current industry environment, the Directors consider that PHW is unlikely to return to profitability until at least the 2008/09 financial year.

#### **1.15 No Forecasts**

The Directors believe that they do not have a reasonable basis to forecast future earnings on the basis that the business currently operated by PHW is running at a loss. It is unlikely that there will be a positive financial outcome until at least the 2008/09 financial year.

Although PHW will seek to ensure that strategies are pursued to ensure continuing development of its businesses, the potential scale of revenue generation cannot be reliably predicted. Accordingly, any forecast or projected financial information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable estimate, forecast or prediction in this Offer Document.

Notwithstanding the above statement, there are statements in this Offer Document concerning the envisaged operations of PHW following the completion of the Offer. These forward looking statements are subject to numerous risks. For a discussion of the important risk factors which could cause actual events or results to differ materially from such forward looking statements please refer to section 3.6 in this Offer Document.

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## **2. Action required by Applicants**

### **2.1 What you may do**

You may:

- take up your Entitlement to New Shares;
- sell your Entitlement on ASX;
- take up part of your Entitlement and sell the balance on ASX;
- transfer all or part of your Entitlement other than on ASX;
- take up part of your Entitlement and allow the balance to lapse; or
- not take up your Entitlement and allow it to lapse.

#### **If you wish to take up your Entitlement**

Complete the Entitlement and Acceptance Form as instructed on the form. Send your completed form together with your cheque or bank draft for the amount shown on the form in accordance with section 2.2 below, to reach the Share Registry before 5.00pm Sydney time on 27 May 2008.

#### **If you wish to sell your Entitlement on ASX**

Complete the section on the back of the Entitlement and Acceptance Form entitled "Instructions to Your Stockbroker" and lodge the form with your stockbroker. If you are a CHESS holder, you may contact your stockbroker and ask it to sell your Rights by advising your entitlement number. You must deal with your Rights by the close of trade on ASX on 20 May 2008.

#### **If you wish to take up part of your Entitlement and sell the balance on ASX**

Complete the Entitlement and Acceptance Form for those Rights that you wish to accept. Also complete the section on the back of the form entitled "Instructions to your Stockbroker" for the balance that you wish to sell on ASX. The completed form should be sent to your stockbroker with a bank draft or cheque for the amount for the New Shares you accept. If you are a CHESS holder, you may contact your stockbroker and ask it to sell your Rights by advising your entitlement number. You must deal with those of your Rights which you wish to sell by the close of trade on ASX on 20 May 2008.

#### **If you wish to transfer all or part of your Entitlement other than on ASX. You can only transfer your Entitlement to an Australian or New Zealand resident**

Send a completed standard renunciation form (obtainable from your stockbroker or from the Share Registry) together with your Entitlement and Acceptance Form and the applicable transferee's cheque or bank draft for the Acceptance Money in accordance with section 2.2 below to reach the Share Registry before 5.00pm Sydney time on 27 May 2008. A reply paid envelope is provided for your use. If you require another Entitlement and Acceptance Form you should contract the Share Registry.

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### **If you wish to take up part of your Entitlement and allow the balance to lapse**

Complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up as instructed on the form. Send your completed form together with your cheque or bank draft for the amount due for the New Shares you intend to take up in accordance with section 2.2 below to reach the Share Registry before 5.00pm Sydney time on 27 May 2008.

### **Entitlements not taken up**

If you decide not to take up all or part of your Entitlement to New Shares, Rights not taken up will lapse and you will receive no benefit.

PHW reserves the right to reject any Entitlement and Acceptance Form which is not correctly completed or which is submitted by an Applicant other than an Eligible Shareholder or to waive or correct any errors made by an Applicant in completing the Entitlement and Acceptance Form.

Application Money received from ineligible Applicants or accompanying an invalid Entitlement and Acceptance Form will be refunded without interest.

### **2.2 Return of Entitlement and Acceptance Form**

Completed Entitlement and Acceptance Forms and Application Money, where applicable, must be received no later than 5.00pm Sydney time on 27 May 2008:

by post to:

- Prince Hill Wines Limited – Share Offer  
Registries Limited  
GPO Box 3993  
Sydney NSW 2001

or lodged by hand at:

- Prince Hill Wines Limited – Share Offer  
Registries Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000

### **2.3 Queries**

Applicants with queries on how to complete the Entitlement and Acceptance Form should call Registries Limited for assistance on 1300 737 760.

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### **3. Information about PHW**

#### **3.1 Disclosing entity information**

PHW, as a disclosing entity under the Corporations Act, is subject to regular reporting and disclosing obligations under the Corporations Act and the Listing Rules.

Copies of documents lodged with ASIC in relation to PHW may be obtained from, or inspected at, an office of ASIC.

PHW will provide a copy of the following documents, free of charge, to any person who asks for them during the application period (ie between the date of despatch of this Offer Document to Eligible Shareholders, and the Closing Date inclusive):

- the annual financial report (ie. for the year ended 30 June 2007) most recently lodged with ASIC by PHW;
- the half-year financial report (for the period ended 31 December 2007) lodged with ASIC; and
- any continuous disclosure notices given by PHW after the lodgement of the annual financial report for the year ended 30 June 2007 and before the lodgement of a copy of this Offer Document with the ASX.

### 3.2 Capital Structure of PHW

The following consolidated pro forma balance sheet is for the combined PHW Group and shows the effect of the application of the full net proceeds of the renounceable rights issue to existing shareholders pursuant to this Offer Document based on the audited balance sheet as at 30 June 2007.

	Audited consolidated balance sheet 30 June 2007	Application of net proceeds of the issue (notes 1 & 2)	Proforma consolidated balance sheet 30 June 2007
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash and cash equivalents	2,029	3,197	5,226
Trade and other receivables	2,315	-	2,315
Inventories	4,097	-	4,097
	<u>8,441</u>	<u>3,197</u>	<u>11,638</u>
Non-current assets classified as held for sale	5,999	-	5,999
<b>TOTAL CURRENT ASSETS</b>	<u>14,440</u>	<u>3,197</u>	<u>17,637</u>
<b>Non-current assets</b>			
Property, plant & equipment	1,264	-	1,264
<b>TOTAL NON-CURRENT ASSETS</b>	<u>1,264</u>	<u>-</u>	<u>1,264</u>
<b>TOTAL ASSETS</b>	<u>15,704</u>	<u>3,197</u>	<u>18,901</u>
<b>Current liabilities</b>			
Trade and other payables	2,463	50	2,513
Short term financial liabilities	1,437	-	1,437
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,900</u>	<u>50</u>	<u>3,950</u>
<b>Non-current liabilities</b>			
Long term financial liabilities	4,372	-	4,372
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>4,372</u>	<u>-</u>	<u>4,372</u>
<b>TOTAL LIABILITIES</b>	<u>8,272</u>	<u>50</u>	<u>8,322</u>
<b>NET ASSETS</b>	<u>7,432</u>	<u>3,147</u>	<u>10,579</u>
<b>EQUITY</b>			
Issued capital	35,566	3,147	38,713
Reserves	15	-	15
Retained earnings	(28,509)	-	(28,509)
Parent entity interest	7,072	3,147	10,219
Minority interest	360	-	360
<b>TOTAL EQUITY</b>	<u>7,432</u>	<u>3,147</u>	<u>10,579</u>

#### Pro forma adjustments

Note 1 The renounceable rights issue of shares to existing shareholders on a one for one basis at \$0.03 to raise approximately A\$3,196,593 less costs of the issue estimated to be approximately \$50,000.

Note 2 The cash proceeds received from the renounceable rights issue have been shown in the cash and cash equivalents above, whereas in practice these may be offset in the short term against the current liabilities – borrowings.

The following consolidated pro forma balance sheet is for the combined PHW Group and shows the effect of the application of the full net proceeds of the renounceable rights issue to existing shareholders pursuant to this Offer Document based on the unaudited balance sheet for the PHW Group as at 31 December 2007

	Auditor reviewed consolidated balance sheet 31 December 2007	Application of net proceeds of the issue (notes 1 & 2)	Proforma consolidated balance sheet 31 December 2007
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash and cash equivalents	495	3,197	3,692
Trade and other receivables	3,442	-	3,442
Inventories	3,637	-	3,637
	<u>7,574</u>	<u>3,197</u>	<u>10,771</u>
Non-current assets classified as held for sale	5,188	-	5,188
<b>TOTAL CURRENT ASSETS</b>	<u>12,762</u>	<u>3,197</u>	<u>15,959</u>
<b>Non-current assets</b>			
Property, plant & equipment	1,717	-	1,717
Other	415	-	415
<b>TOTAL NON-CURRENT ASSETS</b>	<u>2,132</u>	<u>-</u>	<u>2,132</u>
<b>TOTAL ASSETS</b>	<u>14,894</u>	<u>3,197</u>	<u>18,091</u>
<b>Current liabilities</b>			
Trade and other payables	3,878	50	3,928
Short term financial liabilities	3,574	-	3,574
<b>TOTAL CURRENT LIABILITIES</b>	<u>7,452</u>	<u>50</u>	<u>7,502</u>
<b>Non-current liabilities</b>			
Long term financial liabilities	786	-	786
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>786</u>	<u>-</u>	<u>786</u>
<b>TOTAL LIABILITIES</b>	<u>8,238</u>	<u>50</u>	<u>8,288</u>
<b>NET ASSETS</b>	<u>6,656</u>	<u>3,147</u>	<u>9,803</u>
<b>EQUITY</b>			
Issued capital	35,566	3,147	38,713
Reserves	15	-	15
Retained earnings	(29,204)	-	(29,204)
Parent entity interest	6,377	3,147	9,524
Minority interest	279	-	279
<b>TOTAL EQUITY</b>	<u>6,656</u>	<u>3,147</u>	<u>9,803</u>

Note 1 The renounceable rights issue of shares to existing shareholders on a one for one basis at \$0.03 to raise approximately A\$3,196,593 less costs of the issue estimated to be approximately \$50,000.

Note 2 The cash proceeds received from the renounceable rights issue have been shown in the cash and cash equivalents above, whereas in practice these may be offset in the short term against the current liabilities – borrowings.

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### 3.3 Directors' and other persons' interests

The securities of PHW in which Directors have relevant interests are:

Director	Shares
Andrew Parkinson	39,834,018
Rex Watson	39,834,018

The 39,834,018 Shares are held by CPVL, of which Messrs Andrew Parkinson and Rex Watson are directors.

### 3.4 Potential Effect of the Offer

The Offer is a pro-rata offer so that if all Eligible Shareholders take up their entitlements, the voting power of all Eligible Shareholders will remain the same. In that event, there will be no actual or potential effect or consequences arising from the Offer on the control of PHW.

However, the proportional shareholdings of Shareholders who are not resident in Australia or New Zealand may be diluted as those Shareholders are not entitled to participate in the Issue. Additionally, if an Eligible Shareholder does not take up their entitlement in full, there may be a dilutionary effect on that Shareholder's proportional shareholdings.

The issue of the New Shares may affect the control of PHW depending on the level of rights trading and take up of the Issue. Based on the current disclosures made by substantial shareholders and their Associates, the maximum percentage shareholding any existing Shareholder and its Associates could attain through taking up their rights is 54.42% in the unlikely event that the substantial shareholder, CPVL, and its Associates are the only shareholders to take up their rights and all other shareholders or rights holders do not take up their entitlements.

### 3.5 Investment decision

This Offer Document does not take into account the individual investment objectives, financial situation and particular needs of any Shareholder.

### 3.6 Risk Factors

Before deciding to take up New Shares, you should consider whether the New Shares are a suitable investment for you.

There are general risks associated with owning shares in publicly listed companies. The price of shares can go down as well as up because of factors outside the control of PHW. These factors include:

#### General Economic Climate

PHW's future revenues and operating costs can be affected by such factors as supply and demand for goods and services, industrial disruption, interest rates, currency fluctuation, inflation and global economic conditions. Accordingly, the future profitability and share prices of PHW may be affected by these factors. These factors are beyond the control of PHW.

## **Global security environment**

Outbreak of hostilities or a material escalation of hostilities including a declaration of war in major countries in the world or terrorist acts perpetrated on any major countries or any diplomatic, military, commercial or political establishment of any major countries anywhere in the world may affect the global economic and commercial environment and in turn affect PHW's future revenues and operating costs and Share prices.

## **Status of PHW Business**

PHW is subject to all the usual risks encountered by wine companies including cash flow and the continuity of personnel.

## **Climatic**

Adverse climatic conditions affecting vineyard areas may prevent access to those areas and not allow PHW's activities to be carried out in an efficient manner, and hamper production operations.

## **Environmental impact constraints**

PHW's operations will, in general, be subject to approval by governmental authorities (e.g. planning and environmental).

## **Funding and Finance Risk**

Net proceeds from the Offer will be used for additional working capital (for example, to continue to fund and support an improved marketing and sales program). In the interim, surplus funds will be used for the short term reduction in borrowings. Further details are provided in sections 1.14 and 1.15 of this Offer Document. Funding for further working capital (if required) beyond the proceeds of the Offer will be dependent on sales revenue, the nature and scale of PHW's activities in the forthcoming financial year and the terms of funding facilities. Such further working capital (if required) may be funded by either debt or equity. The success or otherwise and the pricing of that additional funding (if any) will be dependent on the then prevailing market conditions.

## **Rights Issue Risk**

Existing Shareholders' interests will be diluted if they do not take up their Entitlements.

## **Insurance**

PHW maintains insurance for certain activities within ranges of coverage that it believes to be consistent with industry practice and having regard to the nature of activities being conducted. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of PHW.

## **Grape and Wine Prices**

PHW's performance relies on prevailing market prices for wine and grapes. Adverse price movements for wine and grapes may have a material adverse effect on PHW.

## **Interest Rate Volatility**

A change in interest rates would be expected to result in a change in the interest cost to PHW.

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### **Changes in government policy and laws**

Changes in government policy (such as in relation to taxation) or statutory changes may affect PHW and the value of an investment in PHW.

### **Reliance on Key Personnel**

PHW's prospects depend in part on its ability of its executive officers and senior management to operate effectively both independently and as a group. To manage its growth PHW must attract and retain highly qualified management and marketing personnel to implement and improve operational, financial and management information systems.

### **Stock Market Volatility**

A number of factors affect the performance of stock market investments which could also affect the price at which Shares trade on ASX. Among other things, the Australian stock market may be affected by movements on international stock markets, local interest rates and exchange rates, domestic and international economic conditions, the price of wine and grapes as well as government taxation and other policy changes.

### **Competition Risk**

There continues to be strong competition in the global wine industry which is the market in which PHW operates. Whilst measures will be put in place to increase market share, there always remains a possibility that PHW may continue to lose market share.

### **3.7 Taxation**

The potential tax effects relating to the Offer on a holder of New Shares will vary between Shareholders. Shareholders should satisfy themselves of possible tax consequences by consulting your own professional tax advisers.

### **3.8 Privacy**

If you apply for New Shares, you will provide personal information to PHW and the Share Registry. Such information will be used to assess your application for New Shares, service your needs as a shareholder, provide facilities and services that you request and carry out appropriate administration.

Access to the information may be provided to PHW's agents and service providers on the basis that they deal with such information in accordance with the Privacy Act 1988 (Commonwealth).

Under the Privacy Act, you may request access to your personal information held by or on behalf of PHW or the Share Registry. You can request access to your personal information by contacting the Share Registry.

A fee may be charged to access your personal information.

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## 4. ADDITIONAL INFORMATION

### 4.1 Expenses of the Offer

All expenses connected with the Offer are being borne by PHW. Total expenses of the Offer are estimated to be in the order of \$50,000.00.

### 4.2 Section 708AA Corporations Act

PHW is a disclosing entity and therefore subject to regular reporting and disclosure obligations under the Corporations Act. Under those obligations, PHW is obliged to comply with all applicable continuous disclosure and reporting requirements in the Listing Rules.

This Offer Document is issued under Section 708AA(2)(f) of the Corporations Act. This section enables disclosing entities to issue a Offer Document in relation to securities in a class of securities which has been quoted by ASX at all times during the 12 months before the date of the Offer Document or options to acquire such securities. Apart from formal matters this Offer Document need only contain:

- (a) information that is excluded information as at the date of the Offer Document pursuant to section 708AA (8) and (9); and
- (b) that states:
  - (i) the potential effect the issue of the New Shares will have on the control of PHW; and
  - (ii) the consequences of that effect.

### 4.3 Consent and Interests of Experts and Advisers

The following persons or companies have consented to be named in this Offer Document in the capacity nominated and have not withdrawn their consent before the issue of this Offer Document:

- Grant Thornton South Australian Partnership as auditor (from November 2007);
- Sneddon McKeown as auditor (up to November 2007);
- Fisher Jeffries as solicitors; and
- Registries Limited as Share Registry for PHW.

Sneddon McKeown has audited the financial accounts as at 30 June 2007. Grant Thornton South Australian Partnership were appointed as auditors for PHW at the Annual General Meeting held on 21 November 2007 and have reviewed the half yearly accounts as at 31 December 2007. However, Sneddon McKeown or Grant Thornton South Australian Partnership have not performed any due diligence matters in relation to this Offer Document. They have made no statement included in this Offer Document or on which a statement in this Offer Document is based. Neither Sneddon McKeown nor Grant Thornton South Australian Partnership make nor purport to make any statement in this Offer Document except to the extent of the consent above for reference to their name.

Fisher Jeffries has acted as solicitors to the Issue. In respect of this work, PHW estimates that it will pay approximately \$15,000 (excluding disbursements and GST) to Fisher Jeffries. Further amounts

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may be paid to Fisher Jeffries in accordance with its normal time base charges. Fisher Jeffries has made no statement included in this Offer Document or on which a statement in this Offer Document is based. It neither makes nor purports to make any statement in this Offer Document except to the extent of the consent above for reference to its name.

Registries Limited has had no involvement in the preparation of any part of this Offer Document other than recording of its name as the Share Registry for PHW. Registries Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Offer Document. It has made no statement included in this Offer Document or on which a statement in this Offer Document is based.

#### **4.4 Authorisation**

This Offer Document is issued by PHW. Each Director has consented to the lodgement of the Offer Document with the ASX.

A handwritten signature in black ink that reads "Andrew Parkinson". The signature is written in a cursive style with a vertical line above the first letter 'A'.

**Andrew Parkinson**  
Managing Director

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## Glossary

<b>A\$</b>	Australian dollars
<b>Applicant</b>	A person or corporation who submits an Entitlement and Acceptance Form
<b>Application Money</b>	A\$0.03 multiplied by the number of New Shares applied for by an Applicant
<b>ASIC</b>	Australian Securities and Investments Commission
<b>Associate</b>	Has the same meaning as in the Corporations Act
<b>ASX</b>	Australian Securities Exchange Limited ABN 98 008 624 691
<b>Closing Date</b>	5pm (Sydney time) on 27 May 2008
<b>Corporations Act</b>	The Corporations Act (Cth) 2001
<b>CPVL</b>	Coonawarra Premium Vineyards Limited (ACN 086 944 265), as responsible entity of the Coonawarra Australia Property Trust (ARSN 104 335 159)
<b>Directors</b>	Directors of PHW as at the date of this Offer Document
<b>Eligible Shareholders</b>	The persons or corporations with a registered address in Australia or New Zealand who hold or held Shares as at the Record Date
<b>Entitlement</b>	That number of New Shares a Shareholder is entitled to subscribe for as part of the Issue based on 1 New Share for every 1 Share held at the Record Date
<b>Entitlement and Acceptance Form</b>	The entitlement and acceptance form accompanying the Offer Document
<b>Excluded Shareholder</b>	A Shareholder at the Record Date with a registered address outside Australia or New Zealand
<b>Existing Options</b>	All existing options to subscribe for Shares currently on issue as at the date of this Offer Document
<b>Listing Rules</b>	The Listing Rules of ASX
<b>New Shares</b>	Shares to be issued pursuant to this Offer Document
<b>Offer</b>	The offer to subscribe for New Shares pursuant to this Offer Document by paying \$0.03 for each New Share
<b>Offer Document</b>	This Rights Issue Offer Document dated 21 April 2008
<b>Option Holders</b>	The holders of Existing Options

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<b>Options</b>	Options on issue in PHW from time to time
<b>PHW</b>	Prince Hill Wines Limited ABN 99 000 094 995
<b>Record Date</b>	5pm (Sydney time) on 7 May 2008
<b>Right</b>	Right to subscribe for 1 New Share for every 1 Share held at the Record Date
<b>Share Registry for PHW</b>	Registries Limited ABN 14 003 209 836
<b>Shareholder</b>	Registered holder of a Share
<b>Shares</b>	Fully paid ordinary shares in the capital of PHW

## Corporate directory

### Directors

Andrew Parkinson *Chief Executive Officer and Managing Director*  
Peter Cleaves *Non Executive Director (appointed 5 April 2007)*  
Rex Watson *Non-Executive Director (appointed 5 April 2007)*  
Sue Henderson *Non-Executive Director*  
*(appointed 5 April 2007 and resigned 12 January 2008)*

### Company Secretary

Charlie Latham

### Registered office

235 Glen Osmond Road  
Frewville SA 5063  
Telephone: +61 8 8338 3400  
Facsimile: +61 8 8338 3244  
Email for enquiries regarding the Offer  
Document:  
offerdocument@princehillwines.com  
Website: www.princehillwines.com

### Auditor

Grant Thornton South  
Australian Partnership  
Level 1, 67 Greenhill Road  
Wayville SA 5034

Sneddon McKeown  
2<sup>nd</sup> Floor, 175 Scott Street  
Newcastle NSW 2320

### Share Registry for PHW

Registries Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000  
Telephone: +61 2 9290 9600  
Facsimile: +61 2 9279 0664

### Lawyers

Fisher Jeffries  
SGIC Building  
211 Victoria Square  
Adelaide SA 5000

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# Prince Hill Wines Limited

A.B.N. 99 000 094 995

## SHARE REGISTRY:

Registries Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000

STOCK BROKER USE ONLY		
Date	Entitlement Reduced to	Signed By

### ENTITLEMENT & ACCEPTANCE FORM

**Renounceable Rights Issue of 1 New Share for every 1 Share held at a price of A\$0.03 per New Share payable on acceptance**

Subregister:

Entitlement No.:

Rights to New Shares	X	Amount per New Share payable on application <b>A\$0.03</b>	=	Total amount payable

If you wish to accept your **FULL RIGHTS** please complete and return this Form **WITH YOUR PAYMENT FOR THE TOTAL AMOUNT SHOWN ABOVE**. The return of this Form by 5:00pm Sydney time on 27 May 2008 with payment will constitute acceptance of the Offer.

If you wish to accept **PART ONLY OF YOUR RIGHTS** please complete this Form showing in the box below the **NUMBER OF NEW SHARES BEING ACCEPTED** and the appropriate amount payable.

Number of New Shares accepted, being <u>not more than</u> the Rights above	X	Amount per New Share payable on application <b>A\$0.03</b>	=	Amount of cheque/s/bank draft attached <b>\$</b>

ALL CHEQUES/BANK DRAFTS SHOULD BE MADE PAYABLE TO PRINCE HILL WINES LIMITED – SHARE OFFER ACCOUNT, crossed "Not negotiable" and forwarded with this Form to REGISTRIES LIMITED, Level 7, 207 Kent St, Sydney NSW 2000 or GPO Box 3993, Sydney, NSW 2001 and must reach that address by **5:00 pm, Sydney time on 27 May 2008**.

#### CHEQUE DETAILS – PLEASE COMPLETE

DRAWER	CHEQUE NO.	BANK	BRANCH (BSB)	AMOUNT OF CHEQUE

#### YOUR CONTACT DETAILS – PLEASE COMPLETE

CONTACT NAME	TELEPHONE – WORK	TELEPHONE – MOBILE	TELEPHONE – HOME

Return of this Form with your payment to Registries Limited by 5:00 pm Sydney time on 27 May 2008 will constitute acceptance of the Offer. No signature is required. Upon allotment of the New Shares above, you agree to hold those shares subject to the constitution of the Company.

#### IMPORTANT: THIS DOCUMENT IS OF VALUE AND REQUIRES YOUR IMMEDIATE ATTENTION

If in doubt consult your stockbroker, solicitor, accountant or other professional advisor without delay.

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## Privacy Statement:

Registries Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your share holding and if some or all of the information is not collected then it might not be possible to administer your share holding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form. Our privacy policy is available on our website ([http://www.registriesltd.com.au/help/share\\_privacy.html](http://www.registriesltd.com.au/help/share_privacy.html)).

## INSTRUCTIONS

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### A To accept all New Shares offered

Return this Form with your cheque/bank draft for the full amount of your Rights, to Registries Limited, GPO Box 3993, Sydney NSW 2001 or Level 7, 207 Kent Street Sydney NSW 2000 by 5:00 pm Sydney time on **27 May 2008**. No signature is required.

### B. To accept some of the New Shares offered and sell the remaining Rights through a stockbroker

Insert in the boxes on the front of this Form:

- i) the number of New Shares accepted; and
- ii) the amount of the cheque/bank draft for those New Shares.

Indicate in the "Instructions to Your Stockbroker" section below, the number of New Shares you intend to accept, the amount of your cheque/bank draft for those New Shares and the number of Rights which you intend to sell.

Send the Form to your stockbroker with your cheque/bank draft for the amount due in respect of New Shares accepted. No signature is required.

**Rights trading commences on 1 May 2008 and ceases on 20 May 2008 by which time any sale of part of your Rights must be completed.**

### C To sell all your Rights through a stockbroker

Insert the information required in the "Instructions to Your Stockbroker" section below. Send this Form to your stockbroker. No signature is required. Sale of your Rights must be completed by **20 May 2008** when Rights trading ceases.

### D. To renounce some or all of your Rights other than through a stockbroker

Obtain a Standard Renunciation Form from your stockbroker or Registries Limited. Complete the Standard Renunciation Form with the number of Rights you are renouncing, making sure that it is signed by both you and the buyer and your SRN (Securityholder Reference Number) is noted.

If you are accepting some of the New Shares offered, insert in the boxes on the front of this Form:

- i) the number of New Shares accepted, and
- ii) the amount of your cheque/bank draft for those New Shares.

If you are renouncing all of your Rights, lodge the Standard Renunciation Form with Registries Limited by 5:00pm Sydney time on **27 May 2008**, together with the applicable buyer's cheque/bank draft. No signature is required.

If you are renouncing some of your Rights, lodge both the Standard Renunciation Form and this Form with Registries Limited by 5:00pm Sydney time on **27 May 2008**, together with your cheque/bank draft for any New Shares you are accepting and the applicable buyer's cheque/bank draft. No signature is required.

### E. To accept some of the New Shares and allow the remaining Rights to lapse

Insert in the boxes on the front of this Form:

- i) the number of New Shares accepted; and
- ii) the amount of your cheque for these New Shares.

Return this Form with your cheque/bank draft to Registries Limited by 5:00 pm Sydney time on **27 May 2008**. No signature is required.

A reply paid envelope is enclosed for your convenience.

**IMPORTANT NOTE:** This Offer is not being made in any jurisdiction other than Australia and New Zealand. In accepting your Rights you represent and warrant that (unless otherwise agreed with the Company) you are not in any jurisdiction other than Australia or New Zealand and are not acting on a non-discretionary basis for the account or benefit of any person in a jurisdiction other than Australia or New Zealand.

If you have any questions, please contact Registries Limited for assistance on 1300 737 760.

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Instructions to Your Stockbroker

**To be completed and sent to your stockbroker only if you wish to sell the whole or part of your Rights.**

Please insert the appropriate number in each of the boxes below

Number of the New Shares which I intend to ACCEPT

Number of Rights which I intend to SELL

I attach a cheque/bank draft\* for the full amount of New Shares accepted.

\$

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