



PRINCE HILL WINES LIMITED
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3 September 2010

Prince Hill Wines ("PHW") – Purchase of Watson Wine Group assets

The Company announces that its wholly owned subsidiary, Prince Hill Wine Services Pty Ltd (ABN 40 062 979 588) ("**PHW Services**") has signed contracts to acquire certain assets and assume certain liabilities from:

- Watson Wine Group Pty Ltd (ACN 093 886 509) ("**WWG**");
- The Wine List Pty Ltd (ACN 125 768 336) ("**TWL**");
- Coonawarra Vineyard Management Services Pty Ltd (ACN 086 942 010) ("**CVMS**"); and
- Essential Project Administration Pty Ltd (ACN 094 312 295) ("**EPA**"),

(together "**the Watson Group**").

PHW Services will procure the Company to issue shares in the Company to WWG, the ultimate holding company of the Watson Group, as consideration for WWG, entering into, or where applicable procuring, the transactions contemplated by the contracts ("**Proposed Transactions**").

The total amount of ordinary shares to be issued by the Company to WWG will be 148,514,029 at a notional issue price of \$0.005 per share (being the last sale price per Share as at 3 September 2010). The total notional issue price for all shares issued to WWG by the Company is \$742,571 which equates to the total net asset value (as at 30 June 2010) of the assets to be acquired from the Watson Group (after taking into account the assumption of the liabilities).

The Proposed Transactions comprise PHW Services acquiring:

1. All of the issued share capital in Coonawarra Premium Vineyards Limited (ACN 086 944 265) ("**CPVL**") from CVMS.
2. Trade receivables, intellectual property rights, material contracts and cash at bank from TWL.
3. Cash at bank and the assumption of all liability for all accrued entitlements in respect of transferring employees of EPA.

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4. Prepayments, stock (including bulk wine, bottled wine and dry goods), land, buildings and vines, intellectual property rights, wine brands, material contracts and plant and equipment and the assumption of liabilities in respect of bank overdrafts, trade payables and leases of WWG.
5. Plant and equipment, material contracts, intellectual property, managed and unmanaged units in the Coonawarra Australia Premium Vineyards Project (“**Project**”) and cash at bank and assumption of all liability for trade payables, bank loans, leases and accrued entitlements of transferring employees of CVMS.

As part of the proposed restructure, PHW Services will be making offers to all employees of each of EPA and CVMS to transfer their employment to PHW Services on the same terms and conditions. PHW Services will assume liability for all accrued entitlements of the transferring employees. All key employees have indicated their intention to accept these offers.

The assets acquired under the Proposed Transactions are all of the material assets of the Watson Group necessary to allow PHW Services to conduct the business activities of the Watson Group. These business activities include operating and managing vineyards; the production, sale and distribution of wines (both bulk and bottled) domestically and internationally; and, managing a property trust.

The proposed purchase is subject to a number of conditions precedent including approval by shareholders, financiers and governmental authorities (including ASIC and ASX) and a satisfactory due diligence being undertaken by the Company of the Watson Group.

It is anticipated that the Proposed Transactions will provide the Company with the resources and corporate infrastructure to develop a mid-tier wine business both domestically and internationally. The Board is hopeful that the Company will emerge after the sale in an improved position for future growth and business improvement.

The Board will seek shareholder approval of the Proposed Transactions. In this regard a Notice of General Meeting incorporating an Explanatory Memorandum will be sent to shareholders shortly. The Explanatory Memorandum will provide further information on the Proposed Transactions including an independent experts report and a recommendation from the independent director.

It is expected that the General meeting will be held early to mid October 2010.

Andrew Parkinson

Chief Executive Officer and

Managing Director

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