

## Prince Hill Wines Limited (“PHW”)

ABN 99 000 094 995

### RIGHTS ISSUE OFFER DOCUMENT

A renounceable rights issue to existing shareholders of two (2) New Shares at an issue price of 0.5 cents each for every one (1) Share held to raise approximately \$1,246,384 before costs of the Offer

The last date for application is 10 May 2010.

**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.**

## Summary of important dates

Announcement of pro-rata offer to all shareholders	9 April 2010
Lodgement with ASX of the Offer Document, notice under section 708AA(2)(f) of the Corporations Act and Appendix 3B	9 April 2010
Existing Shares quoted ex-rights and ASX commences quoting a market in Rights	13 April 2010
Record Date to determine entitlement to rights	19 April 2010
Mailing of Offer Document (including entitlement and acceptance form) to Eligible Shareholders	23 April 2010
Rights trading ends	3 May 2010
Closing Date of Offer	10 May 2010
Company Notifies ASX of under subscriptions	13 May 2010
Allotment of New Shares and despatch of holding statements for New Shares	14 May 2010
Commencement of trading of New Shares on ASX	17 May 2010

**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.

This Offer Document is dated 9 April 2010 and was lodged with the ASX on 9 April 2010. 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>124,638,407</b>
<b>Rights Issue Ratio:</b>	<b>2:1</b>
<b>Number of New Shares to be Issued:</b>	<b>249,276,814</b>
<b>Issue Price:</b>	<b>\$0.005</b>
<b>Rights Issue Proceeds (before costs):</b>	<b>\$1,246,384</b>

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## Managing Director's letter

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

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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

9 April 2010

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 two (2) ordinary New Share at half cent (0.5) cents per share for every one (1) ordinary Share held, to raise \$1,246,384 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 23 April 2010 and is due to close 10 May 2010. 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

# 1. Details of the Offer

## 1.1 The Offer

PHW is making a renounceable rights issue of New Shares at 0.5 cents per New Share to raise approximately \$1,246,384 before costs associated with the Issue are paid. Shareholders of PHW are entitled to subscribe for two (2) New Shares 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 subject to PHW receiving acceptance for not less than 30 million New Shares. Above that minimum subscription, the Issue is underwritten by Ironwood Investments Pty Ltd (ACN 058 461 395) to the extent of a tranche of 30 million New Shares (“**Underwritten Shares**”) of any shortfall. Accordingly, assuming the minimum subscription is reached, hence triggering the commitment of the underwriter, the Issue will raise a minimum of \$300,000 (represented by 60 million New Shares). Please see section 4.3 for further details of the underwriting agreement.

## 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 (or return of the Application Monies in the event of a failure to reach the minimum subscription). 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 to fund the company while it completes the sale process in relation to the Mudjee winery and vineyard

## 1.4 Listing on the ASX

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PHW has applied to ASX 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. Subject to approval being granted by ASX, it is expected that quotation and trading of the New Shares will commence on ASX on 17 May 2010.

### **1.5 Allotment**

It is expected that allotment of the New Shares will take place by 14 May 2010.

### **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 13 April 2010 and cease on 3 May 2010. Further details are set out in section 2.1 of this Offer Document.

### **1.11 Minimum Subscription**

Minimum subscription to the Issue is \$150,000.

### **1.12 Shortfall**

The directors reserve the right pursuant to ASIC Class Order CO08/35 and (in respect of allotment of greater than 15% of the total shares on issue) Listing Rule 7.2 (Exception 3) to allot and issue to any one or more Eligible Shareholders any securities for which valid applications have not been received and accepted by the Company by the Closing date ("**Shortfall**") in respect of this Offer. Any such allotments would be after the underwriter has fulfilled its commitments.

Any Shortfall will be placed within 3 months of the Closing Date and will be issued on the same terms as being offered to the Eligible Persons pursuant to this offer document. Shortfall shares will not be issued to persons in circumstances where formal shareholder approval would be required in accordance with the ASX Listing Rules or where the issue would result in a breach of the Corporations Act.

### **1.13 Financial Position**

The capital structure of PHW is set out in section 3.2 both as at 30 June 2009 and 31 December 2009 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 \$100,000 due to partial repayment of debt and trading losses.

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 \$682,998 before inventory write downs of \$317,095 and the writing down of the winery and vineyard at Mudgee, NSW of \$2,639,904

As noted in PHW's announcements to ASX, PHW has appointed Colliers to sell the Mudgee winery and land with expressions of interest closing on 28 April 2010.

### **1.14 Outlook**

The recapitalisation of PHW will provide additional working capital to fund the company while it completes the sale process in relation to the Mudgee winery and vineyard.

As noted above, it is considered that there will be no material improvement in financial performance of PHW in the short-term, and it is anticipated that there will be a further loss in the 6 month period 1 January 2010 to 30 June 2010. PHW will also seek opportunities to merge or restructure the business; these opportunities will not necessarily be restricted to the wine industry. However, at this stage there are no specific proposals in this regard.

The current view of the Directors is that the ongoing operations of PHW are dependent, in the short term, on the rights issue achieving minimum subscription or other interim funding of not less than \$300,000 being obtained, and, in the medium term, on the realisation of the sale of the Mudgee winery and vineyard and other assets.

PHW will enter into discussions with CPVL, PHW's major shareholder and lender, with respect to ongoing financial support. However, at this stage, PHW has not received a firm commitment from CPVL that it will continue to provide ongoing financial support or convert any debt held by CPVL to equity.

Please also see section 3.5 below (Funding and Finance Risk).

In the current industry environment, the Directors consider that PHW is unlikely to return to profitability until at least the 2011/12 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 2011/12 financial year.

Given that the winery and vineyard are at the initial stages of a sale program and that the company's aim is to restructure the business 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.

Notwithstanding the above statement, there are statements in this Offer 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.

## **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 10 May 2010.

#### **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 3 May 2010.

#### **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 3 May 2010.

#### **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 10 May 2010. A reply paid envelope is provided for your use. If you require another Entitlement and Acceptance Form you should contract the Share Registry.

### **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 10 May 2010.

### **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 10 May 2010:

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 2009) most recently lodged with ASIC by PHW;
- the half-year financial report (for the period ended 31 December 2009) 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 2009 and before the lodgement of a copy of this Offer Document with the ASX.

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### 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 2009.

	Audited consolidated balance sheet 30 June 2009	Application of net proceeds of the issue (notes 1 & 2)	Proforma consolidated balance sheet 30 June 2009
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash and cash equivalents	113	100	213
Trade and other receivables	120	-	120
Inventories	840	-	840
Winery sale receivable	4,620	(2,739)	1,881
	<u>5,693</u>	<u>(2,639)</u>	<u>3,054</u>
<b>TOTAL CURRENT ASSETS</b>	<u>5,693</u>	<u>(2,639)</u>	<u>3,054</u>
<b>Non-current assets</b>			
Property, plant & equipment	149	-	149
<b>TOTAL NON-CURRENT ASSETS</b>	<u>149</u>	<u>-</u>	<u>149</u>
<b>TOTAL ASSETS</b>	<u>5,842</u>	<u>(2,639)</u>	<u>3,203</u>
<b>Current liabilities</b>			
Trade and other payables	399	-	399
Short term financial liabilities	1,783	(1,121)	662
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,182</u>	<u>(1,121)</u>	<u>1,061</u>
<b>Non-current liabilities</b>			
Borrowings and other long term provisions	33	-	33
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>33</u>	<u>-</u>	<u>33</u>
<b>TOTAL LIABILITIES</b>	<u>2,215</u>	<u>(1,121)</u>	<u>1,094</u>
<b>NET ASSETS</b>	<u>3,627</u>	<u>(1,518)</u>	<u>2,109</u>
<b>EQUITY</b>			
Issued capital	36,089	1,246	37,335
Reserves	15	-	15
Retained earnings	(32,477)	(2,764)	(35,241)
<b>TOTAL EQUITY</b>	<u>3,627</u>	<u>(1,518)</u>	<u>2,109</u>

#### Pro forma adjustments

- Note 1 The renounceable rights issue of shares to existing shareholders on a two for one basis at \$0.005 to raise approximately A\$1,246,384 less costs of the issue estimated to be approximately \$25,000.
- 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.
- Note 3 Write down of winery receivable by \$2,739,000

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 2009.

	Auditor reviewed consolidated balance sheet 31 December 2009	Application of net proceeds of the issue  (notes 1 & 2)	Proforma consolidated balance sheet 31 December 2009
	\$'000	\$'000	\$'000
<b>Current assets</b>			
Cash and cash equivalents	99	100	199
Trade and other receivables	151	-	151
Inventories	615	-	615
Winery sale receivable	4,692	(2,739)	1,953
	<u>5,557</u>	<u>(2,639)</u>	<u>2,918</u>
<b>TOTAL CURRENT ASSETS</b>	<u>5,557</u>	<u>(2,639)</u>	<u>2,918</u>
<b>Non-current assets</b>			
Property, plant & equipment	130	-	130
Financial assets	60	-	60
<b>TOTAL NON-CURRENT ASSETS</b>	<u>190</u>	<u>-</u>	<u>190</u>
<b>TOTAL ASSETS</b>	<u>5,747</u>	<u>(2,639)</u>	<u>3,108</u>
<b>Current liabilities</b>			
Trade and other payables	598	-	598
Short term financial liabilities	2,212	(1,121)	1,091
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,810</u>	<u>(1,121)</u>	<u>1,689</u>
<b>Non-current liabilities</b>			
Long term financial liabilities	56	-	56
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>56</u>	<u>-</u>	<u>56</u>
<b>TOTAL LIABILITIES</b>	<u>2,866</u>	<u>(1,121)</u>	<u>1,745</u>
<b>NET ASSETS</b>	<u>2,881</u>	<u>(1,518)</u>	<u>1,363</u>
<b>EQUITY</b>			
Issued capital	36,089	1,246	37,335
Reserves	15	-	15
Retained earnings	(33,223)	(2,764)	(35,987)
<b>TOTAL EQUITY</b>	<u>2,881</u>	<u>(1,518)</u>	<u>1,363</u>

Note 1 The renounceable rights issue of shares to existing shareholders on a two for one basis at \$0.005 to raise approximately A\$1,246,384 less costs of the issue estimated to be approximately \$250,000.

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.

Note 3 Write down of winery receivable by \$2,739,000

### **3.3 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 63.3%. This would only occur in the event that the substantial shareholder, CPVL, and its Associates are the only shareholders to take up their rights and all other shareholders do not take up their entitlements (and therefore triggering the underwriter's commitment to take up 30,000,000 of the shortfall shares under the underwriting agreement).

### **3.4 Investment decision**

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

### **3.5 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. In addition, PHW has engaged in a sale process for the Mudgee winery and vineyard which will be subject to all the risks of a sale, price expectations and settlement risk.

## **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 to fund the company while it completes the sale process in relation to the Mudgee winery and vineyard. In this regard, please see section 1.14 (Outlook) Funding for further working capital (if required) beyond the proceeds of the Offer will be dependent on the sale of the Mudgee winery and vineyard, sales revenue, the nature and scale of PHW's activities in the forthcoming financial year, the outcome of any restructure or merger opportunity and the terms of funding facilities. Such further working capital (if required) may be funded by either debt or equity. PHW does not have committed additional external funding and the availability of any further funding and its pricing 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.

## **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.

### **3.6 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.

### **3.7 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 \$25,000.00.

### 4.2 Continuous Disclosure

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.

### 4.3 Underwriting Agreement

The Rights Issue is underwritten to the extent of a tranche of 30 million New Shares.

The underwriter reserves the right, at any time, to appoint sub-underwriters in respect of any part of the Rights Issue.

The underwriter is entitled to be paid commission, fees and expenses under the Underwriting Agreement and receive certain indemnities. Any sub-underwriters appointed by the underwriter may be paid a fee determined by negotiation with the relevant sub-underwriter. Any sub-underwriter's fees in respect of the Rights Issue would be paid by the underwriter.

The underwriting agreement is subject to customary termination events. These termination events include:

- if the relevant notices required to be lodged with ASX are not lodged within time or otherwise fail to comply with all requirements of the Corporations Act;
- PHW breaches the underwriting agreement and does not remedy that breach within 10 business days;
- any warranty or representation made by PHW under the underwriting agreement is or becomes materially untrue;
- a change occurs after the date of the underwriting agreement affecting or relating to PHW which in the reasonable opinion of the underwriter has or is likely to have a impact on:
  - a decision of an investor to invest in the New Shares at the issue price;
  - the outcome of the Offer;
  - the subsequent market for the Shares; or
  - the assets and liabilities, financial position and performance, profits and losses, prospects, business or operations of the Company;
- PHW contravenes any law, regulation, authorisation, ruling, consent, judgment, order or decree of any governmental agency, its constitution or another constituent document, the Listing Rules;
- a 10% fall in any of the All Ordinaries Index, the S&P/ASX 200 Index or the S&P/ASX Small Ordinaries Index;

- ASX approval has not been given by the Closing Date or within 3 months after the date of the lodgement of the Appendix 3B (whichever is earlier) or ASX refuses or withdraws ASX approval;
- an insolvency event occurs in respect of PHW; or
- an outbreak of war.

If the underwriting agreement is terminated the Rights Issue may not proceed in its entirety. In particular, if the underwriting agreement is terminated, the underwriter may request PHW to notify all Eligible Shareholders and give them the opportunity to withdraw their application.

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.

**Andrew Parkinson**  
Managing Director

## 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\$0.005 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 10 May 2010
<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 2 New Shares 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>Minimum subscription</b>	30 million New Shares representing subscription monies of \$150,000
<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 \$0.005 for each New Share

<b>Offer Document</b>	This Rights Issue Offer Document dated 9 April 2010
<b>Option Holders</b>	The holders of Existing Options
<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 19 April 2010
<b>Right</b>	Right to subscribe for 2 New Shares 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
<b>Underwritten Shares</b>	30 million New Shares above the Minimum Subscription

## Corporate directory

### Directors

Andrew Parkinson *Chief Executive Officer and Managing Director*  
Peter Cleaves *Non Executive Director (appointed 5 April 2007 retired 31 March 2010)*  
Rex Watson *Non-Executive Director (appointed 5 April 2007 retired 6 April 2010)*  
Paul Miller *Non Executive Chairman (appointed 31 March 2010)*  
Mark Leaker *Non Executive Director (appointed 6 April 2010)*

### Company Secretary

Conrad Guerra

### 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

### 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  
Level 1  
19 Gouger Street  
Adelaide SA 5000

# Prince Hill Wines Limited

ABN: 99 000 094 995

## STOCK BROKER USE ONLY

Date	Rights Entitlement	Signed By

## RIGHTS ISSUE ENTITLEMENT & ACCEPTANCE FORM

RENOUNCEABLE ISSUE OF UP TO X NEW SHARES AT AN ISSUE PRICE OF \$0.005 EACH ON THE BASIS OF 2 NEW SHARES FOR EVERY 1 ORDINARY SHARE HELD, PAYABLE IN FULL UPON ACCEPTANCE OF THIS OFFER.

Subregister:

HIN / SRN:

Entitlement No:

Number of Shares held

At 7:00 pm EST on 19 April 2010:

**Offer Closes: 5:00pm AEST 10 May 2010**

### A Entitlements Acceptance

If you wish to accept your **FULL ENTITLEMENT** please complete and return this form **WITH YOUR PAYMENT FOR THE AMOUNT SHOWN BELOW**. The return of this form by 5.00 pm EST on 10 May 2010 with payment will constitute acceptance of the Offer.

Entitlement to New Shares on the basis of 2 New Shares for every 1 Share held	Price Per Share	Amount Payable for Full Acceptance, at \$0.005 per Share
	<b>\$0.005 per Share =</b>	

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

Number of New Shares accepted	Price Per Share	Amount Enclosed
	<b>\$0.005 per Share =</b>	\$

### B Payment

Payment may only be made by BPAY or cheque, bank draft or money order. Cash will not be accepted via the mail or at Registries Limited. Payments cannot be made at any bank. If paying by BPAY you do not need to return the Entitlement and Acceptance Form.

#### Payment Option 1 - BPAY



**Biller Code: 117879**

#### Telephone & Internet Banking - BPAY®

Contact your bank, credit union or building society to make this payment from your cheque, credit or savings account.

More info: [www.bpay.com.au](http://www.bpay.com.au) ® Registered to BPAY Ltd ABN 69 079 137 518

- To pay via BPAY please contact your participating financial institution
- **If paying by BPAY you do not need to return the Entitlement and Acceptance Form**
- If paying by BPAY the payment received divided by the issue price will be deemed to be the total number of Shares you are applying for.

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**Payment Option 2 – Cheque (Record cheque details below)**

DRAWER	CHEQUE NO.	BSB NO.	ACCOUNT NO.	AMOUNT \$AUD
				\$

- Only cheques, bank drafts or money orders in Australian dollars and drawn on a bank or financial institution in Australia will be accepted.
- Your cheque, bank draft or money order must be made payable to "Prince Hill Wines Limited – Share offer Account" and crossed Not Negotiable.
- Please ensure that you submit the correct amount. Incorrect payments may result in your application being rejected

**C Contact Details**

CONTACT NAME	EMAIL ADDRESS	TELEPHONE –	TELEPHONE –

**Important Information:** This document is of value and requires your immediate attention. If in doubt consult your stockbroker, solicitor, accountant or other professional advisor without delay.

1.1 PLEASE REFER TO REVERSE FOR LODGING INSTRUCTIONS.

By submitting this Application Form or by using the BPAY facility to accept the Offer, I/We represent and warrant that I/we have read and understood the Rights Issue Offer Document to which this Application Form relates and declare that this Application is completed and lodged according to the Rights Issue Offer Document and the instructions on the reverse of the Application form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the constitution of Prince Hill Wines Limited and agree to the terms and conditions of the Offer under this Rights Issue Offer Document. I/We represent and warrant that I/we have not relied on any other information provided by the Company other as set out in this Rights Issue Offer Document when making my/our decision to invest.

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# LODGEMENT INSTRUCTIONS TO APPLICANTS

Please read these instructions carefully

## HOW TO ACCEPT SHARES OFFERED

- 1. BPAY payment method:** The total amount payable to accept your entitlement in full is shown in section A on the front of this form. Contact your Australian bank, credit union or building society to make this payment from your cheque, savings or credit account. For more information visit: [www.bpay.com.au](http://www.bpay.com.au). Refer to the front of this form for the Biller Code and Customer Reference Number. Payments must be received by BPAY before 5.00 pm EST on 10 May 2010.

If the BPAY payment is for any reason not received in full, the Company may treat you as applying for as many Shares as will be paid for by the cleared funds. Shareholders using the BPAY facility will be bound by the provisions relating to this Offer. **You are not required to submit this Entitlement and Acceptance Form if you elect to make payment using BPAY.**

- 2. Cheque payment method:** The total amount payable to accept your entitlement in full is shown in section A on the front of this form. Complete your payment details in section B and send your cheque/bank draft/money order and the completed form to Registries Limited at the address shown below so as to reach the Share Registry before the close of the Offer at 5.00pm EST on 10 May 2010.

### Postal Delivery:

Prince Hill Wines Limited – Rights Issue  
C/- Registries Limited  
GPO Box 3993  
SYDNEY NSW 2001

### Hand Delivery:

Prince Hill Wines Limited – Rights Issue  
C/- Registries Limited  
Level 7, 207 Kent Street  
SYDNEY NSW 2000

## TO ACCEPT SOME OF THE SHARES OFFERED AND SELL THE REMAINING ENTITLEMENTS THROUGH A STOCKBROKER

Insert in the boxes on the front of this Entitlement and Acceptance Form:

- the number of Shares accepted; and
- the amount of the cheque for those Shares, (or make a BPAY payment for the number of New Shares accepted).

Indicate in the "Instructions to Your Stockbroker" section below, the number of Shares you intend to accept, the amount of your payment for those Shares and the number of Entitlements which you intend to sell. Send the Entitlement and Acceptance Form to your stockbroker with your cheque for the Shares accepted (if you are paying by cheque). Sale of your Entitlement must be completed by 3 May 2010 when Entitlements trading ceases.

## TO SELL ALL YOUR ENTITLEMENTS THROUGH A STOCKBROKER

Insert the information required in the "Instructions to Your Stockbroker" section below. Send the Entitlement and Acceptance Form to your stockbroker. Sale of your Entitlement must be completed by 3 May 2010 when Entitlements trading ceases.

## TO RENOUNCE SOME OR ALL OF YOUR ENTITLEMENTS OTHER THAN THROUGH A STOCKBROKER (ISSUER SPONSORED HOLDERS)

Obtain a Standard Renunciation Form from your stockbroker or Registries Limited. Complete the Standard Renunciation Form with the number of Entitlements 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 Shares offered, insert in the boxes on the front of this Entitlement and Acceptance Form:

- the number of Shares accepted, and

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- the amount of your cheque for those Shares, (or make a BPAY payment for the number of New Shares accepted).

Lodge both the Standard Renunciation Form and the Entitlement and Acceptance Form with Registries Limited by 5.00pm EST on 10 May 2010, together with your cheque for any Shares you are accepting, (if you are paying by cheque).

**Rights trading commences on 13 April 2010 and ceases on 3 May 2010 by which time any sale of part or all of your Rights must be completed.**

**IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT REGISTRIES LIMITED FOR ASSISTANCE ON (02) 9290 9600.**

## 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 Entitlement.

Please insert the appropriate number in each of the boxes below:

Number of the Shares which I intend to ACCEPT

Number of Rights Entitlements which I intend to SELL

I attach a cheque/draft or I have paid by BPAY for the full amount of Shares accepted

\$

### 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)).

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