



Blaxland Vineyards Limited

ABN: 61 067 514 792

Annual Report
July 2005 - June 2006



OLD MUNDULLA VINEYARD

Executive Summary:

The 2006 vintage at Old Mundulla was colossal, averaging 18.2 tonnes per hectare across the entire vineyard. This combined with an average price of \$952 per tonne of grapes has resulted in an excellent financial result for the vineyard project. Yields at this level are not sustainable as a long term proposition, and there is likely to be a substantial reduction in yield from this level going into the 2007 vintage.

Capital

The capital of a vineyard comprises of the original assets of soil, water, vines, trellis, irrigation system, roads and infrastructure. The vineyard capital has a crucial role in the production of wine grapes. If the capital items are depleted or run down they have less financial value and are less likely to generate an income.

One of the requirements of the management agreement with McGuigan Simeon Wines Limited (MSWL) is that each year an independent expert viticulturist is appointed to inspect the vineyard and assets and report to Blaxland and MSWL. The report last financial year was completed on 26th October 2005 by Matthew Lawson of Viti Vini Consulting Pty Ltd. Matthew was complimentary of the vineyard practices and maintenance of the capital. This review is in conjunction with regular inspections and monitoring of processes by Blaxland Vineyards. This year the review will be carried out by Di Davidson and their report will be available soon.

The capital is generally in good condition and capable of achieving a good financial result as is evidenced by the 2006 vintage.

Water

The water at Old Mundulla is excellent. There are now three operating bores supplying water to irrigate the entire vineyard. The water quality is amongst the highest in the region, simply due to the fact that the vineyard is located on a very healthy aquifer and the bores are in the correct locations. Following a number of years of drought the Static Water Levels of the bores has only fallen by a couple of metres and there have only been marginal increases in the salinity of the water. There has been a total of 1,224 Mega litres of water used over the season or an average of 4.58ML/Ha.

Soils

When soils are allowed to degrade over a period of time, the production of the vineyard is affected. Some of the damage is irreversible or can take a long time to ameliorate, so monitoring the health of the soil is a very important process. Obviously with the very high yields achieved at Old Mundulla this season, the soil has capacity to ripen large crop loads and the vines reflected a good healthy soil with no evidence of macro or micro nutrient deficiencies. The weed population has certainly been well controlled which allows the vines to have full access to the soil's moisture and nutrients. The inter row cover crop is also supplying organic matter to the soil and preventing erosion. There is some evidence of compaction, as occurs in all vineyards over time. This compaction can be managed appropriately over time.

Vines

The vines appeared very healthy throughout the growing season in spite of the large crop that they were carrying. There was no evidence of disease or pests detrimentally affecting the crop. The structure of the vines after a number of years of similar pruning is in need of some maintenance or a hard prune to remove some of the old dead wood. Some of the wood on the (cordon) wire has been allowed to grow higher and higher over time, when this starts to occur



there is a physiological response by the vines called apical dominance where the shoots on the highest part of the vine begin to dominate. This is simply resolved over a number of years by consciously making some larger cuts at pruning to remove the tall wood from the cordon wire. This allows a good sustainable level of wood to remain close to the cordon wire and give much more uniformity to shoot length and fruit development.

Trellis

Another key component of production is the vineyard trellis which supports the vines and creates a canopy that allows air light and crop protecting sprays to penetrate into the fruiting zone. Each year on a vineyard the trellis suffers from broken posts and wires from normal wear and tear. There have been many post replacements completed at Old Mundulla following pruning bringing the trellis system back into line. Some of the cordon wire has been become detached from the posts over time; however this will be picked up with the regular maintenance program. The trellis asset is in good condition.

Irrigation System

The irrigation system is often overlooked and is one of those items which is taken for granted until it stops working. There have been a number of maintenance items in the regular vineyard work program which will ensure that the irrigation system continues to perform in the middle of summer when it is most needed. The Diesel pump motors have been pulled down for a full service, and despite the fact that they are getting a large number of hours on them still appear to be in good

working order. There has also been maintenance in the work program of cleaning filters and treating the drip lines with acid and chlorine to remove any deposits which can block the drippers.

Infrastructure

The roads, shedding and fences on the property are all in good condition and are effectively providing a benefit to the vineyard project.

Climate

The season was very dry and the weather has returned to the drought conditions that were in effect only a few years ago. The drier season has reduced some of the disease pressures and allowed good control of vine growth. Due to the decrease in rainfall higher levels of supplementary irrigation were required to maintain a healthy canopy to ripen the fruit. Rainfall for the season is less than half of the average and has been recorded as the driest year since 1967 in the region.

Despite the overall dry weather there were some rainfall events during the vintage period which affect ripening of the fruit. There was no fruit detrimentally affected from these rainfall events; however it did delay the rate of ripening in the later varieties.

Viticulture

The vineyard continues to be managed by McGuigan Simeon Wines (MSWL) who also purchase the entire crop. This agreement is in place until the 2013 vintage. MSWL have as a mandate in the management agreement to manage the vineyard at 'best viticultural practice'. The vineyard is managed on a daily level by Tim Delaney and the viticulture is overseen by Peter Stephens and Greg Walsh following the recent resignation of Richard Byllardt.

The viticultural program begins after the crop is removed in the previous spring, as this is the time when vines are preparing and being prepared by the manager for the next season. The moderate crop load in 2005 and relatively early vintage left the vines in good condition going into dormancy in 2005. The pruning system was quite light leading to a large number of buds being retained in the winter of 2005.

Irrigation during the season was frequently applied to allow a large canopy to develop to ripen the large crop load. The crop protection program resulted in a clean and healthy vineyard canopy and very little evidence of bunch rots despite the rain at vintage and large congested fruiting zone, particularly on Mataro and Malbec varieties.

The large crop is mainly due to the light pruning that the vines received in 2005 and will have significantly depleted the vines resources as following vintage there was very little time for the vines to store carbohydrates. As a result of the large crop in 2006 and drought conditions persisting throughout winter there is a good chance that the vineyard will have a reduction in yield for the 2007 vintage.

2006 Crop

The 2006 crop was a large one, averaging 18.2 tonnes per hectare across all varieties. This is a significant increase on previous yields and is largely a result of a lighter pruning and favourable seasonal conditions allowing good vine growth, flowering and setting of the fruit.

VARIETY	TONNES	Average Yield (T/Ha)
SHIRAZ	1,548.46	19.7
CABERNET SAUVIGNON	1,389.66	16.9
MERLOT	778.90	15.6
PETIT VERDOT	348.86	21.5
MATARO	447.88	18.7
CABERNET FRANC	75.24	16.7
MALBEC	243.19	20.4
TOTAL	4,832.19	

The entire crop is purchased by MSWL at 'Average District Pricing' which is the average price paid by wine companies that purchase fruit in the region. The pricing data is collected by the Phylloxera and Grape Industry Board of South Australia, see www.phylloxera.com.au. There are also incentives paid for the quality of the fruit when it ripens to high sugar levels, known as 'Baume Bonuses'.

Variety	2006 prices (\$/Tonne)	2005 Prices (\$/Tonne)	+ / - (\$/Tonne)
Shiraz	924.07	968.40	- 44.33
Merlot	882.75	908.17	- 25.42
Cabernet Sauvignon	942.16	1028.09	- 85.93
Petit Verdot	918.55	676.34	242.21
Mataro	899.76	593.19	306.57
Malbec	758.49	756.61	1.88
Cabernet Franc	545.47	688.31	- 142.84
Weighted Ave Price	952.12	952.68	- 0.55

- The Weighted Average Price per tonne of fruit at Old Mundulla includes bonuses for the sugar (Baume) content of the grapes.
- The prices listed against the varieties are the figures supplied for the Phylloxera and Grape Industry Board averaged across the Limestone Coast grape growing region.

The prices for the fruit this year have generally declined, with the two exceptions of Petit Verdot and Mataro which have had significant increased in the district pricing. These varieties are not abundant in the region and as a result are more affected by fluctuations in seasonal pricing.

The rain during vintage also inhibited some of the later ripening varieties from achieving Baume bonuses. The large crop loads reduced the ability to achieve the bonuses as allowing the fruit to hang out in the vineyard for an extended period would have put the crop at risk of disease infestation.

Overall it is a very pleasing result with the average price per tonne of fruit only falling by 55 cents per tonne on the 2005 vintage. This is largely thanks to the average district pricing of Petit Verdot and Mataro increasing. This Price per tonne of fruit combined with an exceptionally large vintage has resulted in an excellent return off the vineyard in the 2006 vintage.



Luke Rolley
Technical Manager
Blaxland Vineyards limited