

TANUNDA HILL VINEYARD

Stage 2

SUMMER REPORT

31st December 2006



Executive Summary

The start of the 06/07 season has been dominated by the severe drought conditions that have been felt across the majority of the southern parts of Australia. As to be expected conditions in the Barossa have been significantly warmer and drier than long term averages. The most significant impact on the vineyard has come in the form of severe water restrictions applied to all Murray River water used for irrigation in South Australia. We lost 40% of our water allocation for 06/07.

As the BIL scheme relies predominantly on Murray River water, these restrictions applied to the Tanunda Hill Vineyard along with all other BIL irrigators in the Barossa. The pressure on irrigation and fertiliser programs has been intensive given the lack of rainfall. On the flip side pest and disease and weed control have been made easier with the dry conditions. Despite devastating frosts being recorded in many regions (including the Barossa) there has been no frost damage at THV. The 2007 season is proving to be extremely challenging, however the management program continues to focus on improving the vineyard's overall potential on an ongoing basis.



Evaluating a new three row sprayer with a view to introducing this technology to the vineyard in 2008.

Canopy Management

The pruning program was completed as planned. Despite the dry conditions most blocks demonstrated relatively strong sucker growth this year. This unwanted growth was removed by hand.

Vine growth progressed quickly this season with most blocks running approximately 3 weeks ahead of last year. With a strong focus on irrigation and fertiliser application (both through fertigation and foliar application) the vine canopies at THV have developed extremely well given the dry conditions.

Vine training was carried out on all blocks containing replants and any young vines.

Strong winds once again hit the vineyard in November. This had some impact on flowering, and caused some physical damage, mainly in the form of blowing replanted and weaker vines off the wire. An additional pass was made through the vineyard to facilitate any repairs required.

Soil Management

To reduce moisture competition in mid row, cover crops were sprayed out with herbicide in late winter. The growth of the cover crops had been disappointing, however it was not thought wise to persevere with them given the lack of rainfall.

Winter weed growth was below normal levels so herbicide spraying activities were scaled back accordingly. The lack of suitable weather conditions dictated that the pre-emergent herbicides were dropped from the regular program.

Irrigation/Water Supply

Irrigation has been a major and ongoing activity throughout the first half of the season. With soil moisture levels coming into spring at extremely low levels, pre bud burst irrigations were carried out across the vineyard.

Poor inflows into the Murray Darling River system catchments caused significant water restrictions to be applied to all Murray River irrigation allocations. A 40% restriction (allowing 60% of allocation to be used) was put in place by the State Government for the 06/07 season.

Flow restrictions enforced by SA Water applied to the BIL scheme up to the end of November. The resultant low flows made it impossible to maintain high water levels in the dams during this period. Although pumping was not significantly affected it highlighted how quickly the reserves can be depleted under high demand situations.

Approximately 120ML had been applied to the vineyard up to the end of December.

Additional water has been purchased to ensure the vineyard has adequate supplies to finish the season.



Buildings/Property

There were no major activities to report

Pest and Disease Control

There have been no major pest or disease issues reported during the reporting period.

Regular scheduled pest and disease monitoring activities are still being carried out.

There were some large numbers of Mediterranean Snails moving up the vine trunks however they have not caused any damage. The inclusion of Copper in the regular fungicide program has kept the numbers in check.

Climate

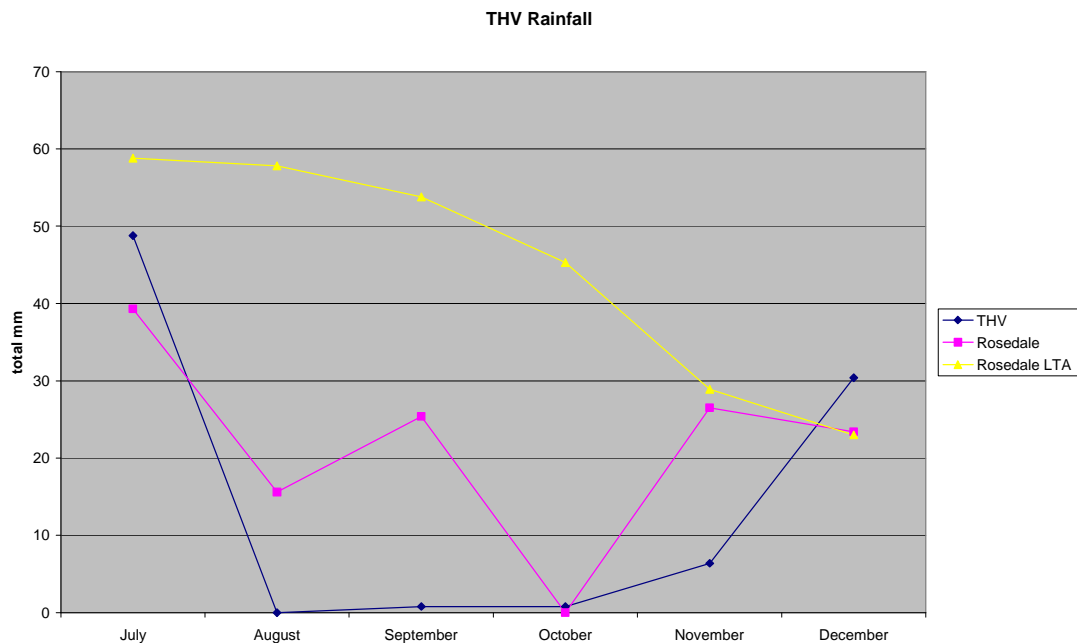
To highlight the extent of the drought conditions some of the weather data from the THV weather station has been presented below alongside data collected from Rosedale which is located approximately 6 km South West of the vineyard.

Rainfall during the reporting period was as follows;

	THV	Rosedale	Rosedale Long Term Av
July	48.8	39.3	58.8
August	0	15.6	57.8
September	0.8	25.4	53.8
October	0.8	0	45.3
November	6.4	26.5	28.9
December	30.4	23.4	23
	87.2	130.2	267.6

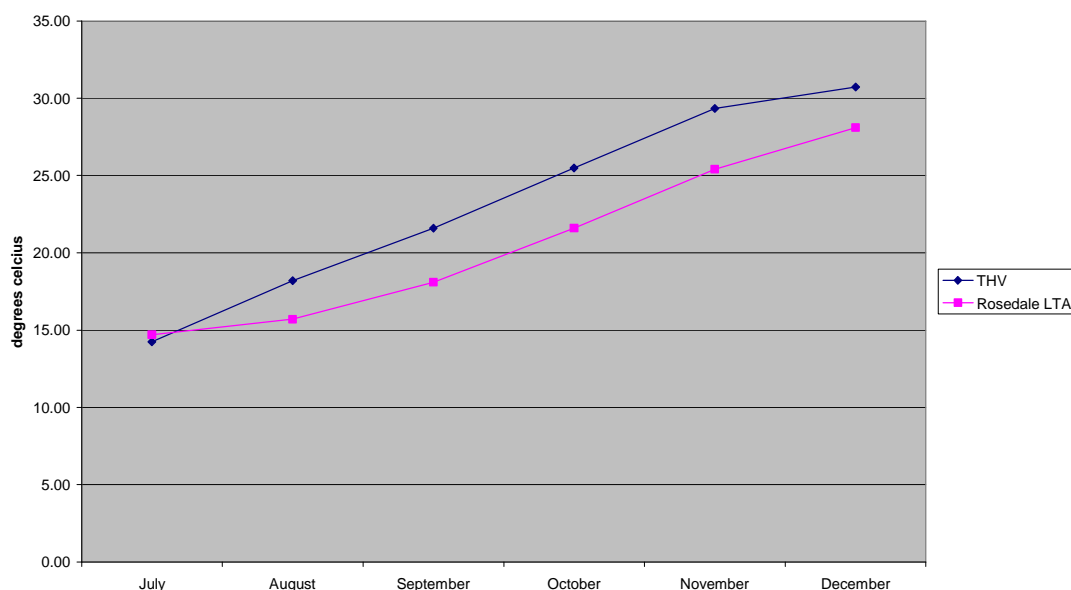
The variance in the THV rainfall compared with Rosedale highlights that the rainfall experienced to date has been very patchy and not consistent with prolonged periods of wet weather.

The main point to note is the significant reduction in rainfall in 2006 compared to the Long Term Average (LTA).



In conjunction with the low rainfall the average temperatures have been well above the LTA's. One of the major impacts of this is the significant increase in evaporation rates and the moisture requirements of the vines.

Av max. temp July - Dec 2006



Health, Safety and Environment (HSE)

There have been no major issues to report during the reporting period. There were two minor injuries reported on the vineyard. One sprained ankle and one bruised foot.

The annual HACCP audit was conducted in December with the vineyard receiving a Double A rating.

Financial

As at November 30 2006 the vineyard operating costs are running approx \$13,400 under budget.

2007

The major activity looming in the second half of the year is of course vintage. As a result of the persistent drought conditions yields are expected to be well below average. This is expected to be the trend across all grape growing regions. Water management continues to be a high priority with a focus not only on finishing off the current season but planning for 2008 as well. Despite the tough conditions the vineyard is in excellent condition and is well positioned to deliver what should be a good quality vintage albeit lower in volume.

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