

-Queensberry Cellars-

Ultra premium handcrafted wines from Central Otago, New Zealand



Township of Wanaka, 15 minutes from Queensberry Cellars

Created by Lake Wine Services Ltd (2008)

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Offer

Queensberry Cellars Ltd is looking to raise \$NZ800,000 to build a small winery business. The funds will go towards free holding all buildings, equipment and land, developing a small inventory and providing the necessary working capital. Winemaker, Russell Lake (50% stakeholder) is seeking a group of like-minded wine lovers to join him and is offering 1200 shares (50% stake holding) at \$NZ666.67 per share.

Central Otago Pinot Noir

Central Otago is located on the 45th parallel, similar in the southern hemisphere to Burgundy and Oregon in the northern hemisphere (47th and 45th respectively). Both Burgundy and Oregon are recognised as producing the world's finest Pinot Noirs and over a very short time Central Otago has carved an enviable reputation that rivals the best these regions have to offer. Despite being a marginally cooler climate, Central Otago has hot summers and a lower rainfall over the ripening period. These factors allow the grapes to perfectly ripen over a long growing season without the associated disease risk common in wetter regions. Allowing grapes a longer hang time results in denser flavour and colour, making Central Otago Pinot Noirs some of the finest the world has on offer.



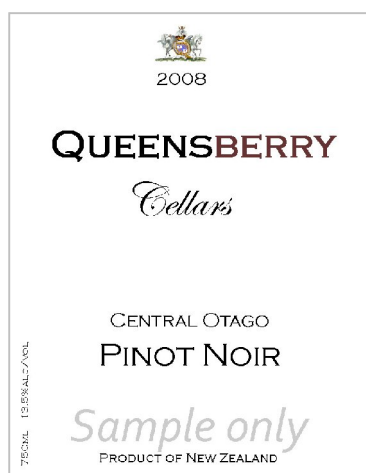
Russell Lake

Queensberry Cellars

Queensberry Cellars Ltd, located 15 minutes south of the resort town of Wanaka (5 minutes from the airport), is a similar distance from Cromwell - the heart of the Central Otago wine industry. The well situated site will initially process 35 tonnes of grapes but has the capacity to expand to 500 tonnes. In addition to the first 30 tonnes processed for other growers, 5 tonnes (400 cases) will be processed for the owners. Grapes for this wine will come from selected vineyards that are leased and managed by the winery and will provide the flagship brand for the business. By positioning itself as a high quality processing facility offering small batch production Queensberry Cellars will become known for its wines and winemaking.

An opportunity to develop a winery and produce your own wines

Active participation in both the vineyard and the winery will be encouraged. Since owners will only be available for limited periods during the winemaking process, the winery website will provide details of the wine's progress from harvest to bottle.



Limited release private label wine

Enjoy the fruits of your labour with family and friends when you receive your personal allocation (100 cases for each 300 shares owned) of wine from each harvest. Premium Central Otago Pinot Noirs are known for their intensely flavoured berry/cherry fruit and complex earthy characters that make them both distinctive and world class. The pleasure of drinking such exclusive wine is heightened by the knowledge that you have had a hand in producing it yourself.

Private internet access to "owners only" area

Owners will have exclusive online access to information on the progress of their wine. The "owners only" area will contain information and video footage of their wine being made. Footage will include vineyard operations like pruning and harvest and winery operations like crushing, pressing and bottling their wine.

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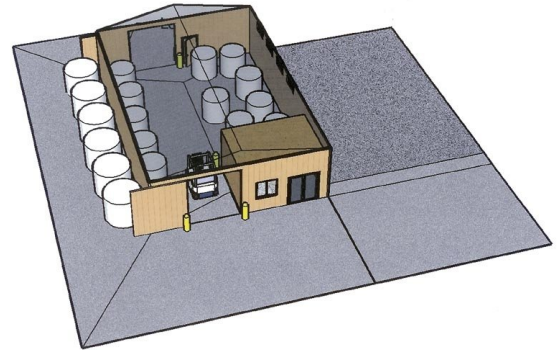
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Winemaking

Russell Lake (*B.Agr.Sci Hons Oenology B.Tech Industrial*) has made wine in 4 continents and has completed over 20 harvests in countries as far reaching as Australia, Germany, France, USA and New Zealand. Queensberry Cellars will draw on this experience to produce wines that capture the essence of Central Otago by using organic grape growing practices (chemical free) and minimal intervention (additives, oak etc.) in the winery. The winery has been designed to keep batches separate and thereby respect the distinctiveness of individual vineyards.

Winery design and development

The winery has been designed by Lake Wine Services Ltd using the principles of gravity flow and temperature control to create a building which maximizes the potential of the site. Practical winemaking experience in over 15 different wineries has brought an understanding to the design that is simple, practical and cost effective. Russell Lake will oversee the development of the winery which will be completed by February 2010.



Winery management

Russell Lake will have the role as winemaker/manager for the first four years. While most of the work will be undertaken over the harvest period (April/May) he will be available year round offering services through his consulting company Lake Wine Services Ltd. Additional casual staff (including shareholders) will be used over the harvest period and when necessary throughout the year (depending on winery operations). External contractors will operate the leased vineyards under the direction of Lake Wine Services Ltd and sales of the 400 cases of wine will be the joint responsibility of the owners.



Opportunity for future expansion

Earlier work on a larger 500 tonne facility has been consented for the site and while the proposed winery only utilises a small proportion of the site (the ancillary bottling building) the opportunity for further expansion is available. The resource consent (valid until 2014) allows the staged development of up to 500 tonnes and also includes a small vineyard and tasting room that could be developed to enhance the winery aesthetic, provide grapes for the Queensberry label and as an outlet for wine sales.

Financial

Income (\$200,000 per annum) will be derived from two sources;

1. Sales to shareholders (400 cases) - wholesale \$360 per case, the estimated income is \$140,000
2. Contract winemaking fees - 30 tonnes of contract fruit at \$2000 per tonne is estimated to return \$60,000.

And major costs (\$100,000 per annum) will include;

1. Own fruit, barrels, packaging and excise wages and power (\$60,000)
2. Contract processing - winery supplies, power and wages (\$5,000)
3. Sales and marketing, administration overheads (\$35,000).

This investment should be considered long term and will suit wine lovers who wish to become part of the Central Otago wine industry. After an initial ramping up period (years 1 and 2) return on equity is forecasted at 5% per annum.

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