



20 February 2009

Dear Shareholder

With the 2009 harvest just around the corner I thought it timely to update you on the performance of the vineyards and the progress of the Higgins Road development.

The 2008 New Zealand grape harvest was a record 285,000 tonnes, with 195,000 tonnes of fruit coming from Marlborough. This was up a massive 61% on the 2007 Marlborough harvest and was largely the result of ideal grape growing weather during the critical periods of fruit set and ripening. On a national level, New Zealand wine producers had not anticipated this level of production and some oversupply resulted in the market, especially with Sauvignon Blanc. As has been well publicised, this has resulted in a softening of wine prices at the retail level.

The Wine Producers have learnt their lesson from 2008 and have set in place a production plan, which concentrates on quality through limiting yields to normal levels. This is done through shoot thinning and in some cases, removal of canes. In Terra Vitae's case, this was completed for the Marlborough Vineyards in January and an average yield is expected to be harvested in 2009. Whilst pricing negotiations have not been completed at the date of writing, the industry is expecting some softening of prices for at least the short term until supply and demand of grapes comes back into balance.

Higgins Road Development

Carl has detailed the progress of the Higgins Road development in his attached report. The costs continue to be managed within budget and this is expected to continue through to completion of the project, despite some of the adverse conditions experienced during critical periods of the development. You can view some photos from the development on www.terravitae.co.nz under the "2008 AGM presentations" and the "February 2009 update from the vineyards".

Yours faithfully

Joe Ferraby
Chairman
Terra Vitae Vineyards Ltd