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Le Côteron Vineyard

Prepared by Geoffrey Moss MW

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SUMMARY

Le Côteron Vineyard provides the unique framework to establish a boutique Pinot Noir-focused winery, complemented by Chardonnay and Gamay, in British Columbia's Okanagan Valley. This report will outline Le Côteron Vineyard's strong potential for producing premium Pinot Noir as well as opportunities for differentiation in a highly competitive marketplace.

VARIETAL OVERVIEW

Le Côteron Vineyard is planted predominantly to Pinot Noir and Chardonnay, two varieties with high demand among both wineries and consumers.

Grape Variety	Acres
Pinot Noir	2.964
Chardonnay	1.213
Gamay	0.653
Savagnin Blanc	0.279
TOTAL:	5.109

Note: the acreage is listed as post-to-post acreage and does not include headlands.

Chardonnay is just behind Pinot Gris as the most planted white grape variety in British Columbia, with 21.8% of total white plantings (as of 2019). The quality is wide-ranging, and grape prices typically range from \$2,400-\$3,000 per short ton, though premium fruit from top vineyards may garner more than \$4,500 per short ton.

Pinot Noir is the second most widely planted red grape variety throughout British Columbia, accounting for 22.7 percent of total red plantings. Nevertheless, there is an undersupply of

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Pinot Noir in the Okanagan Valley, which has pushed fruit costs to \$4,500 per short ton or more. Premium fruit from top vineyards may sell for more than \$6,000 per short ton. This has significant ramifications for winery margins.

It is important to note, however, that it is extremely challenging to source fruit from growers in the Okanagan Valley. The majority of fruit is already contracted, and what can be sourced is typically of marginal quality. As such, most premium producers rely on estate-grown grapes to ensure consistent access to high-quality fruit. Producers may also contract grower vineyards by the acre, as opposed to purchasing fruit by the ton, to have greater control over the vineyard management (e.g. crop levels).

Sample cost per bottle (excluding labour, overheads, and consumables)

Fruit costs: \$6.14

Barrel costs: \$1.20

Packaging: \$4.72

 Bottle: \$2.14

 Labels: \$0.58

 Capsules: \$0.35

 NDTech Cork: \$1.50

 Cartons: \$0.15

Bottling: \$0.31

Total: \$12.37

Note: actual costs will vary depending on production volumes, winemaking/packaging decisions, currency exchange rates, and shipping costs.

CHARDONNAY

Premium, world-class Chardonnay is being produced throughout the Okanagan Valley. Increasingly, wineries are seeking cooler vineyard sites for Chardonnay. This is part of a larger trend in the wine industry, especially among the trade, favouring cool-climate Chardonnay for its restraint, elegance, and freshness. Lake Country is well-positioned in this regard. Furthermore, Le Côteron Vineyard is planted to clone 548, which is prized for its heightened aromatics, complexity, and concentration.

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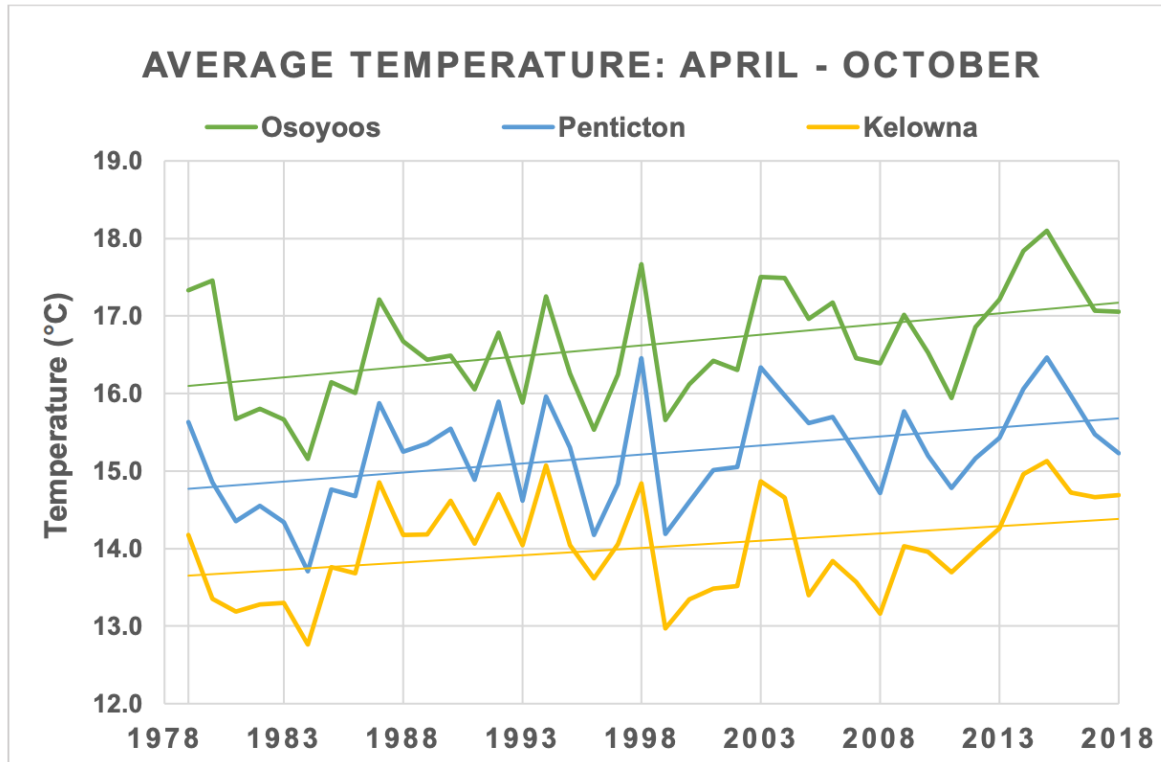
PINOT NOIR

Pinot Noir is generally considered one of the signature grape varieties of the Okanagan Valley. However, premium Pinot Noir is site dependant, and only a handful of sub-regions are producing world-class examples. Lake Country is ideally suited to producing expressive, terroir-driven Pinot Noir thanks to its cool-climate and complex, calcium carbonate-rich soils.

The most significant challenge to producing premium Pinot Noir in the Okanagan Valley is over-ripeness. The ideal average growing season temperature for Pinot Noir is between approximately 14 to 16 degrees Celsius. Increasingly, vineyards south of Okanagan Falls are simply too hot to produce expressive Pinot Noir. In contrast, Kelowna and Lake Country fall within the low end of Pinot Noir's temperature band. As such, they are well-positioned to consistently produce high quality Pinot Noir, while also mitigating against long-term increases in temperature due to climate change.

To this end, the vineyard rows at Le Côteron Vineyard are terraced, which enables them to be planted 11 degrees east of north along a north-south axis. This reduces their exposure to the hot afternoon sun, favouring more even ripening and reducing the risk of sunburn and/or raisinated fruit. This is unusual in the Okanagan, where it is more common for vineyards to be planted with the slope, commonly along an east-west axis.

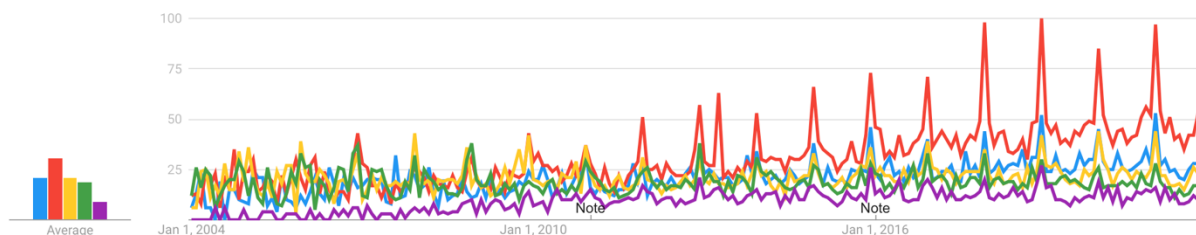
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Source: "How will climate change be influencing viticulture in British Columbia's Okanagan Valley by the 2050s?" by Ross Wise MW

Most critically, Pinot Noir is a grape variety with strong market demand. It trails only Cabernet Sauvignon in red wine sales in British Columbia, with high name recognition among new and mature wine consumers.

<p>● Pinot noir</p> <p>Red wine</p>	<p>● Cabernet Sauvignon</p> <p>Wine grape</p>	<p>● Merlot</p> <p>Wine grape</p>	<p>● Shiraz</p> <p>Grape variety</p>	<p>● Malbec</p> <p>Grape variety</p>
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Google search trends of top red varieties from 2004 to present in Canada

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It also earns a more premium pricepoint compared to other top selling red varieties:¹

Grape Variety	Average Sale Price
Cabernet Sauvignon	\$18.05
Pinot Noir	\$25.82
Merlot	\$18.56
Malbec	\$15.36
Shiraz	\$15.00

It's not just about having the right grape variety planted; wine style also matters. Le Côteron Vineyard is well-positioned in this regard. Consumers and the trade (e.g. sommeliers, wine buyers, wine writers) increasingly favour wines with freshness and moderate alcohol levels. The cool climate of Lake Country helps fruit reach optimal ripeness at lower alcohol levels, while retaining balanced natural acidity.

Le Côteron Vineyard has the additional advantage of clonal diversity, with 115, 777, and two high density blocks of massal selection. These are high-quality clones, each with their own unique character, which provide blending options as well as unique marketing opportunities.

115 – a Dijon clone with small clusters, capable of producing structured wines with complex, savoury aromatics, intense dark fruits, and fine tannins

777 – a Dijon clone with small berries, capable of producing supple, rich wines with notable fruit concentration, perfumed aromatics, and dense tannins

Massal selection – these high density blocks are planted to new, rare clones, capable of producing concentrated, elegant wines with exceptional fruit density, silky tannins, and outstanding length

The clonal diversity at Le Côteron Vineyard provides the potential to produce single block and/or single clone wines that can be sold at higher price points. This is especially true for the

¹ Based on sales in British Columbia of both imported and domestic wines.

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massal selection blocks, with the new, rare clones showing high quality potential and offering a significant point of differentiation from competitors.

COMPETITIVE SET

Blue Mountain (Okanagan Falls)

Estate Cuvée – \$34.90

Reserve Cuvée – \$44.90

River Flow Block 23 – \$54.90

Wild Terrain Block 9 – \$54.90

Gravel Force Block 14 – \$54.90

CedarCreek (East Kelowna)

Pinot Noir – \$26.99

Block 4 – \$65.00

Block 2 – \$65.00

Foxtrot Vineyards (Naramata Bench)

The Waltz – \$47.00

Martin's Lane (East Kelowna)

Naramata Ranch Vineyard – \$100.00

Simes Vineyard – \$100.00

DeHart Vineyard – \$100.00

Fritzi's Vineyard – \$150.00

Meyer (Okanagan Falls)

Okanagan Valley – \$22.71

McLean Creek Vineyard – \$34.87

Micro Cuvée – \$56.61

Mirabel (East Kelowna)

Reserve – \$49.00

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Spearhead (East Kelowna)

Golden Retreat – \$36.00

Coyote – \$36.00

Saddle Back – \$36.00

Cuvée – \$42.00

Quails' Gate (West Kelowna)

Pinot Noir – \$29.99

Dijon Clone – \$45.00

Stewart Family Reserve – \$55.00

Richard's Block – \$70.00

PRODUCTION AND SALES POTENTIAL

Le Côteron Vineyard has the potential to produce 750 to 1100 nine-litre cases per year depending on desired yields and growing season conditions, assuming all blocks are producing at full capacity. This volume can be comfortably produced at the existing winery building on-site. **Note: any prospective buyer should ensure the property meets the minimum requirements for a land-based winery license.**

At this production volume, the majority of the wine could be sold direct-to-consumer (via the tasting room, online sales, and/or wine club) at full margin, with key restaurant placements used for brand building.

The production volume could also be bolstered by purchasing fruit. Land-based wineries can supplement their production with up to 75% of purchased fruit (a minimum of 25 percent of the fruit must come from owned or leased vineyards). This could take the total production volume to approximately 4,000 cases.

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MARKETING OPPORTUNITIES

In addition to the potential for a highly differentiated portfolio, Le Côteron Vineyard has a number of unique features from which to build a compelling, engaging brand story and support premium positioning. These include:

- **Calcium carbonate** – unusually for the Okanagan, this site is rich in calcium carbonate. Calcareous soils are common in many benchmark wine regions, most notably Burgundy.
- **High density plantings** – commonly associated with Burgundy, high density plantings can be used as a quality cue.
- **Biodiversity** – the trend towards organic and biodynamic farming means producers are increasingly emphasizing biodiversity. Le Côteron Vineyard is generously planted with companion plants and fruit trees, which can be used to produce auxiliary branded products or as part of hospitality experiences on the property.
- **Terraced vineyard rows** – a point of differentiation that underscores the steep, sloping aspect of the property.
- **Minimal irrigation** – the soils on this property have a high water holding capacity. Historically, this vineyard has only needed to be irrigated once or twice per year, which is unusual for much of the Okanagan. The property also uses Maxijet irrigation, which has advantages over common techniques like drip irrigation or overhead irrigation.

ASSUMPTIONS

The information contained in this report is assumed to be correct but is not guaranteed by Lithica Wine Marketing. All information should be verified by prospective buyers.

CONTACT

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