DROMANA ESTATE LIMITED

ACN 090 000 276

P R O S P E C T U S

for

a non-renounceable Rights Issue of fully paid Ordinary Shares to existing Shareholders with a registered address in Australia and New Zealand at a price of 7 cents per share on the basis of 1 new share for every share held.

THE OFFER CLOSES AT 5.00 pm MELBOURNE TIME ON

WEDNESDAY MARCH 15, 2006

IMPORTANT NOTICE

This document is important and should be read in its entirety. If, after reading this Prospectus, you have any questions about the offer, then you should consult your stockbroker, accountant or other financial adviser without delay.

Dromana Estate Limited

Corporate Directory

Directors:

Richard R Green
(Executive Chairman)

Geoff Bell (Non-Executive Director)

David H Craig (Executive Director)

David Traeger (Executive Director)

Secretary:

Chris Ritchie

Registered and Principal Office:

Level 6, 412 Collins Street

Melbourne, Vic, 3000

Tel: (03) 9600 3242

Fax: (03) 9600 3245

Email: chris.ritchie@dromanaestate.com.au

Website: www.dromanaestate.com.au

Share Register:

Computershare Investor Services Pty Limited

Yarra Falls
452 Johnston Street,
ABBOTSFORD VIC 3067

Table of Contents

Stock Exchange Listing:

Australian Stock Exchange (ASX)

and

AIM Market of the London Stock Exchange
(AIM)

Code: DMY

Important Information

This Prospectus is dated February 13, 2006. A copy of this Prospectus was lodged with the Australian Securities & Investments Commission ("ASIC") on February 13, 2006. ASIC takes no responsibility for the content of this Prospectus.

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The offer is non-renounceable.

Timetable

Record date for determining entitlements under rights issue.	February 21, 2006
Prospectus and Entitlement and Acceptance Form sent to shareholders.	February 27, 2006
Closing date for receipt of acceptances and payment.	March 15, 2006
Shares quoted on ASX on deferred delivery basis	March 16, 2006
Issue of shares and despatch of holding Statements.	March 23, 2006
Shares Admitted to trading on AIM	March 29, 2006

The Company reserves the right to extend the closing date, subject to the ASX Listing Rules, in which case the date of issue of the shares will alter accordingly. Should any alteration be made an announcement will be made to the market.

1 LETTER TO SHAREHOLDERS

Dear Shareholder

The board has resolved to strengthen the Company's Balance Sheet by the undertaking of a 1:1 rights issue at 7 cents per share. Shareholders may apply for up to 300,000 additional shares in excess of their entitlements. If fully subscribed the Company will issue 22,382,705 shares and will raise $1,566,789.

The appointment of Mr. Bill Gryst as Group General Manager has already seen significant changes in the Sales & Marketing area, including the appointment of an Export Sales Manager and a new Sales Plan has been implemented with the objective of substantially increasing both domestic and export sales.

Additionally, recent events in the United Kingdom whereby Phillips Newman and Company Limited, our major UK distributor and its parent company, Unwins Wine Group Limited, have both filed for administration has meant that Dromana will need to source alternative distribution channels to continue its growth. Shortly prior to Phillips Newman filing for administration, Dromana had reached agreement in principle with Phillips Newman to terminate the distribution and other arrangements with it. Dromana has received payment for all but $15,000 for the shipments of wine sent to Phillips Newman. Although it is still early days, the Company has already had some success in selling stock previously allocated to Phillips Newman and Unwins and continues to assess new avenues to market for these products.

The Company has decided to focus its wine production facilities at Tuerong Park and will begin to transport the necessary wine making equipment from Seymour in February. Additional capital expenditure will be required to transport the equipment as well as ensuring the tanks are configured correctly within the Tuerong Park tank farm and that all Occupational Health & Safety requirements are met including new catwalks. The additional equipment at Tuerong Park will assist in the Company's growing contract winemaking operations, as well as gaining economies of scale across our entire production.

During the past few months the Jinalec Pty Ltd the trustee of the Tuerong Park Unit Trust has assisted the Company in short term financing. Dromana is required to repay Jinalec $350,000 in February 2006, although Jinalec has agreed to extend the terms of the loan to the conclusion of Dromana's Rights Issue, providing there is no change to the composition of the board of Dromana at Dromana's General Meeting on March 9, 2006.

Twelfth Vilmar Pty Ltd (a company associated with Mr. Geoff Bell), Harvard Nominees Pty Ltd (a company associated with Mr. David Craig), Mr. Richard Green and Mrs Isabella Green, and Jinalec Pty Ltd, had agreed to jointly underwrite the issue to the extent of $1,000,000, but after objections from 2 shareholders, agreed to withdraw from the underwriting so as to avoid any further delays. Mr, Geoff Bell, Mr. Richard Green and Mr. David Craig are all directors of Dromana.

Following submissions by Dromana and the shareholders to the Takeovers Panel, the Panel has requested additional information be disclosed to shareholders concerning the relationship between Jinalec and Dromana and Dromana's directors. Whilst this information has always been disclosed in our Annual Reports, a more detailed statement is included in this offer document.

Mr. Bell, Mr Craig and I will take up our respective entitlements to the issue (provided there is no change to the composition to the Board). As directors, we are prevented by the Listing Rules of the Australian Stock Exchange from applying for additional shares under the shortfall facility available to all other shareholders.

Given the size of his existing shareholding, Mr. Traeger has decided not to apply for shares under the issue.

I commend the issue to shareholders, as the implementation of the expanded sales and marketing plan lays the foundations for the continued growth of the Company.

R.R.Green
Chairman

2 BACKGROUND

Tuerong Park Unit Trust

The Tuerong Park Unit Trust ("Trust") commenced on January 20 2000 with the aim of developing a premier showpiece of the wine industry on the Mornington Peninsula. The investors in the Trust and the directors of the trustee at that time were not related to Dromana. The trustee of the Trust is Jinalec Pty Ltd ("Jinalec").

The development was proposed to include planting vineyards, construction of a winery with cellar door sales and entertainment facilities such as a first class restaurant and possibly accommodation.

There are currently two shares on issue in Jinalec, one share is owned by Mr. David Craig and one share is owned by Mr. Richard Green. Mr. Craig and Mr. Green are the only two directors of the company. The unitholders of the Trust may by unanimous resolution in writing or in general meeting remove Jinalec as trustee of the Trust.

On June 8, 2000 Jinalec entered into a Mortgage with the National Australia Bank Limited to the value of $1,600,000. These funds were used to acquire Lot 1, 2 & 3 of "Tuerong Park" from Tuerong Park Pty Ltd.

As disclosed in Dromana's initial prospectus dated November 17 2000, Dromana entered into lease arrangements with Jinalec to operate a winery and cellar door, and National Vintages Limited, a wholly owned subsidiary of Dromana, leased land at Tuerong Park from Jinalec to develop vineyards as part of the National Vintages Joint Venture, which was designed to give Dromana control over the majority of its supplying vineyards without the burden of capital investment in the vineyards and growers risk associated with grape production.

Dromana's major grape supply source and focal point of its market presence is Tuerong Park. Whilst the aims of both entities are different, both entities gain strength from the financial well-being of the other. Dromana secures an excellent supply source, use of a modern winery and hospitality venue whereas Jinalec receives a long term stable leasee. The current board has moved away from the original intention of not investing in land, so as to build a 30% stake in a very valuable property that has the potential to further increase in value by its development as a tourism asset.

Dromana pays Jinalec the following rents per annum, (amounts are exclusive of GST):

Vineyard	$ 48,717.00
Cellar Door	$ 60,000.00
Winery	$ 60,000.00
	$168,717.00

The lease between Dromana and Jinalec expires at the end of June 2006. The board expects to renegotiate a new long term agreement with Jinalec prior to this date. In the event that negotiations have not concluded by this date, Dromana may continue in possession of the premises on a month by month basis on the same terms as it was previously paying, with the consent of Jinalec.

Jinalec my not terminate the lease earlier, provided that Dromana is not in breach of any conditions of the lease. Dromana has not been advised by Jinalec that it is currently in breach of any term of the lease. Dromana does not have any first right of negotiation in regard to the lease with Jinalec.

As Dromana leases the vineyard from Tuerong Park and pays all the costs associated with the maintenance of the vineyard, Dromana receives the grapes from the vineyard without further cost.

If there was a change of directors at the shareholders meeting to be held on 9 March 2006, there would be no effect on the lease arrangements between Dromana and Jinalec.

The transactions that have lead to Dromana's current 30% stake are detailed in this section.

On January 21 2001 the Trust raised an amount of $480,000 through the issue of 480,000 units @ $1.00 per unit.

The subscribers were:

	Units	%
Dromana Estate Limited	40,000	8.33%
Wine Development Pty Ltd (1)	40,000	8.33%
Other Investors	400,000	83.34%
	480,000	100.00%

(1) Wine Development Pty Ltd is a subsidiary of Authorised Investment Fund Limited, Dromana's largest shareholder.

On March 31 2001 the Trust raised a further $144,000 through the issue of 96,000 units @$1.50 per unit.

The unit register was then:

	Units	%
Dromana Estate Limited	48,000	8.33%
Wine Development Pty Ltd (1)	48,000	8.33%
Other Investors	480,000	83.34%
	576,000	100.00%

At the board meeting of Dromana of February 21, 2002 the board made a decision to sell its units in the Trust and loan the proceeds of the sale to National Vintages Limited in its capacity as manager of the National Vintages Joint Venture.

On February 25, 2002 Dromana sold 48,000 units to non-Dromana related entities. The sale was recorded at $2.00 per unit and earned Dromana a profit on sale of $44,000.

Over the period from August 7, 2002 to December 04, 2002 the Trust raised additional capital from the issue of 50,000 units at $1.50 per unit. These units were issued to non-Dromana related entities.

On March 7 2003 Dromana Estate Limited was issued 178,000 units (valued at $1.80 per unit) as part of an agreement between Dromana and Jinalec in relation to the restructure of National Vintages Limited that there would be a debt equity swap on the basis of $320,000 of debt for the issue of $178,000 units with a further option, exercisable @ $2.20, on the basis of 1 option for each 6 units held.

As at June 30 2003 the statutory accounts of the Trust showed the following unit ownership.

Dromana Estate Limited	178,000	22.14%
Other Investors	626,002	77.86%
	804,002	100.00%

In July 2003 the Trust sold Lot 1 of Tuerong Park for approximately $560,000. This was in part to allow the redemption of Redeemable Convertible Secured Preference Units (RSCPs) and partly to allow construction of a winery to commence on site.

Due to Dromana's continued financial constraints the Trust agreed to amend lease arrangements with Dromana and to construct the winery from its own resources and to recover the outlay through an increased rental.

Dromana (130,339 units) and non Dromana Related entities (120,088 units) converted their RSCPs into ordinary units.

Non-Dromana Related unitholders redeemed 140,426 units.

On August 20, 2003, non-Dromana related unitholders entered into an agreement with Dromana to resolve an outstanding debt and for the sale of units and one of the two shares on issue in Jinalec.

The agreement provided that these unitholders were to receive $393,000. Dromana acquired 115,463 units from the unitholders in return for extinguishing debt. Mr Craig and Mr Green were parties to the agreement, and paid $116,500 cash to the unitholders for 84,218 units.

The 168,436 (2 x 84,218) units were transferred from the unitholders to Dromana, but Dromana was to hold the units as trustee for Mr. Craig and Mr. Green until they could be transferred to their own names or associated entities at a later date. This method of transfer was due to the Trust's deed providing that units were to be offered to existing unit holders prior to being offered to external parties such as Mr. Green and Mr. Craig.

The unitholders also transferred the one share in Jinalec under their control, to Mr Green via Dromana. The agreement provided that Dromana was to assume the liability of co-guarantor for Jinalec's bank bill facility, then standing at $1.6 million. The National Australia Bank required a $500,000 bank guarantee as a condition of its consent to the transfer of the share. As Dromana could not satisfy that condition without breaching its borrowing covenants Mr. Green took Dromana's place and therefore the Jinalec share.

On September 2 2003 further non-Dromana related unitholders entered into an agreement with Dromana for the sale of Units and a Jinalec Share.

The agreement provided that Dromana was to pay the unitholders $102,981 (after redeeming RSCPs). As Dromana did not have sufficient working capital to fulfil the agreement Mr. Green and Mr Craig paid the funds, and as with the previous transfer the units were transferred through Dromana to Mr Craig and Mr Green. (2 x 55,500)

These unitholders also transferred the one share in Jinalec under their control, to Mr Craig via Dromana. The National Australia Bank again required a $500,000 bank guarantee as a condition of its consent to the transfer. As Dromana's financial position did not allow it to incur that additional liability, Mr. Craig provided a personal guarantee to the National Australia Bank and took a transfer of the Jinalec share.

On September 2, 2003 a further non-Dromana related unitholder entered into an agreement with Dromana for the sale of 48,000 units for $79,680. As Dromana did not have sufficient free working capital to fulfil the agreement Mr. Green and Mr Craig paid the funds and as with previous transfers the units were transferred through Dromana to Mr. Craig and Mr. Green. (2 x 24,000)

On October 29 2003 a further non-Dromana related unitholder entered into an agreement with Dromana to transfer its units (among other assets) to Dromana in satisfaction of the loan owed by the unitholder to Dromana.

Dromana received 48,000 units in satisfaction of part of a loan to the value of $79,680.

As at June 30, 2004 the unit register was then:

Dromana Estate Limited	471,993	44.76%
David Craig related entities	163,718	15.53%
Richard Green related entities	163,718	15.53%
Other Investors	255,000	24.18%
	1,054,429	100.00%

In September 2004, in order to provide additional urgent working capital to finalise the winery a 1: 1 rights issue was undertaken at 50 cents per unit. Dromana participated by agreement with Jinalec for the exchange of Leasehold Improvement Assets made to the Cellar Door in for Units in the Trust.

At the conclusion of the rights issue the unit register was:

Dromana Estate Limited	943,98644.76%	
David Craig related entities	492,43623.35%	
Richard Green related entities	367,43617.42%	
Other Investors	305,00014.46%	
	2,108,858	100.00%

In April 2005 in order to provide additional working capital a rights issue of 1:2 at $1.00 per unit was undertaken. Dromana did not participate in this rights issue.

At the conclusion of the rights issue the unit register was:

Dromana Estate Limited	943,986	29.84%
David Craig related entities	768,401	24.29%
Richard Green related entities	651,353	20.59%
Geoff Bell related entities	350,000	11.06%
David Traeger related entities	114,547	3.62%
Other Investors	305,000	10.06%
	3,163,287	100.00%

In December 2005 Dromana signed an agreement with persons associated with a former director of Dromana to acquire their units in the Trust for extinguishment of debt and the issue of 300,000 fully paid ordinary Dromana shares.

As a result Dromana acquired a further 219,000 units in the Trust.

Jinalec has granted entities associated with the developer of the proposed hotel at Tuerong 250,000 units in exchange for preliminary work on the hotel development.

Also in December 2005, the Trust cancelled 200,000 units held by Dromana as part payment of loans between the two entities.

After all these transactions the Unit register as at 31 December 2005 was:

Dromana Estate Limited	962,986	29.97%
David Craig related entities	768,401	23.91%
Richard Green related entities	651,353	20.27%
Geoff Bell related entities	350,000	10.89%
David Traeger related entities	114,547	3.56%
Other Investors	366,000	11.39%
	3,213,287	100.00%

Since Dromana began Equity Accounting its investment in the Trust, Dromana's share of the Assets and Liabilities and operating results have been disclosed. In the 2005 Annual Report these figures are shown at Note 14 Joint Ventures and Associates.

Summarised Statements of Financial Performance and Financial Position for Jinalec at June 30 2005 are set out below:

Summarised Statement of Financial Performance
For the year ending 30 June 2005

	$A 000's
Total Operating Income	167
Total Other Income	107
Total Revenue	274
Total Operating Expenses	37
Total Depreciation	106
Total Interest Expense	99
	242
Net Profit Before Tax	32

The Net profit Before Tax includes a profit of $106k in regard to the distribution of the National Vintages Joint Venture Assets.

Summarised Statement of Financial Position
As at 30 June 2005

	$A 000's
Accounts receivable	121
Capitalised borrowing costs	3
Total Current Assets	124
Buildings	1,427
Land at Independent Valuation	2,100
Vineyard Development	1,147
Other Non Current Assets	30
Investments	16
Total Non Current Assets	4,720
Total Assets	4,844

Summarised Statement of Financial Position (Continued)

As at 30 June 2005

Bank Overdraft		8
Trade Creditors		1
Total Current Liabilities	9	
NAB Bank Bill Facility		1,600
Total Non Current Liabilities		1,600
Total Liabilities		1,609
Net Assets		3,235
Total Contributed Equity		2,557
Asset Revaluation Reserve		1,091
Retained Earnings		(413)
		3,235

Reclassification of accounts may mean that sub-totals may vary from those figures disclosed in Note 14 in the 2005 Annual Report.

The NTA per unit of the Trust as at June 30 2005 was \$1.13. The value of Dromana's investment as at 30 June 2005 on this basis was \$1,066,704. In the June 2005 Annual Report the value of the investment is \$865,000. The Annual report figure is based on the cost of acquiring the Units in the Trust less Dromana's share of the equity accounted profits and losses of the Trust.

Apart from the Lease arrangements for the Vineyard, Winery and Cellar Door, there are no other material contracts between Dromana (including its directors and their associates) and Jinalec.

3 DETAILS OF THE ISSUE

3.1 The Offer

By this Prospectus, the Company is inviting holders of existing ordinary shares residing in Australia and New Zealand to subscribe for new fully paid Ordinary Shares on an entitlement basis of one new Ordinary Share for every fully paid ordinary share held in the capital of the Company on the date that books close to determine entitlements on February 21, 2006 ("Record Date"). Fractional entitlements will be disregarded.

The entitlements to subscribe for new ordinary shares are non-renounceable. There will be no trading on Australian Stock Exchange ("ASX") or the Alternative Investment Market of the London Stock Exchange ("AIM") in the rights to the Ordinary Shares.

3.2 Offer period

Applications for Ordinary Shares may be lodged at any time after the issue of this Prospectus. The Closing Date for applications is 5.00pm Melbourne time on March 15, 2006.

The Company reserves the right to extend the Closing Date.

3.3 Payment for Shares

The issue price of the Ordinary Shares is 7 cents per share, payable in full on acceptance.

Payment will only be accepted in Australian currency as follows:

(a) cheque drawn on and payable at any Australian bank, or

(b) bank draft drawn on and payable at any Australian bank.

Other currency will not be accepted.

Cheques or drafts should be made payable to Dromana Estate Limited and crossed "Not Negotiable". Applicants are asked not to forward cash. Receipts for payment will not be issued.

An accompanying reply paid envelope is provided for your convenience.

3.4 Application for Additional Shares

Each shareholder may apply for additional Ordinary Shares in excess of their entitlement, up to a maximum of 300,000 shares.

The ability of the Company to satisfy applications for additional shares will be dependent on the extent of any shortfall in applications by shareholders for their full entitlements. Should the shortfall be insufficient to meet all applications for additional shares in full, the Company will satisfy applications on a pro rata basis, and refund surplus application moneys to applicants.

Additional shares will not be issued to shareholders where to do so would be in breach of the Listing Rules or any applicable law.

Shareholders who wish to apply for additional shares should complete the appropriate section on their Application Form, and forward their completed Form, together with their cheque or bank draft for the amount payable for the total number of shares they wish to apply for (calculated at the rate of 7 cents for each Ordinary Share), to reach the Company's Share Registry by no later than 5:00 pm Melbourne time on March 15, 2006.

3.5 Shares Not Taken Up by Shareholders

Any Ordinary Shares not applied for by shareholders in accordance with their entitlements under the rights issue or as additional shares under section 2.4, will revert to the control of the Directors.

The Directors reserve the right to issue any shortfall at their discretion for a period of 3 months from the closing of the Issue, at a price not less than that at which the Shares were offered under this Prospectus. No Director, and no associate of the Director, may participate in any such issue.

Additional shares will not be issued to shareholders where to do so would be in breach of the Listing Rules or any applicable law.

3.6 Overseas Shareholders

This Prospectus and the Entitlement and Acceptance Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

In accordance with the requirements of the ASX Listing Rules, having regard to:

(a) the number of holders resident outside Australia and New Zealand;

(b) the number and value of ordinary shares the holders resident outside Australia and New Zealand would be offered;

(c) the cost of complying with the legal requirements and the requirements of regulatory authorities in places other than Australia and New Zealand,

(d) advice from the Company's United Kingdom broker

the Directors have decided that it is not reasonable to extend this offer to shareholders resident outside Australia or New Zealand.

This Prospectus is sent to all shareholders resident outside Australia or New Zealand for information only.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

3.7 Allotment

In accordance with the *Corporations Act 2001* (Cth), all subscription monies shall, before the allotment and issue of Ordinary Shares pursuant to this Prospectus, be held by the Company in trust in a bank account established solely for the purpose of depositing application monies received. Any interest earned will be for the Company's account.

3.8 Application for Listing

Application has been made to ASX by the Company for the Shares offered by this Prospectus to be quoted on ASX. An application will also be made for these shares to be quoted on AIM on allotment of the shares.

If permission for official quotation of the Shares is not granted by ASX within 3 months after the date of this Prospectus, the Company, in accordance with the *Corporations Act 2001 (Cth)*, will either:

(a) repay all application monies; or

(b) issue a supplementary prospectus advising that the Shares will not be listed on ASX and give applicants one month to withdraw their application and be repaid in full.

No interest will be paid on any monies repaid.

3.9 Dividend Policy on Increased Capital

The Ordinary Shares offered by this Prospectus will be entitled to any dividend declared on ordinary shares in respect of the financial year in which the shares are issued, calculated on a pro rata basis from the date of allotment. The Directors do not anticipate declaring a dividend during the current financial year.

3.10 Use of Funds Raised

Funds raised by this issue will be used to repay Jinalec's short term funding of $350,000, the payment of existing external trade creditors of $350,000, amounts owing to entities associated with Mr David Traeger in the normal course of business such as the Hughes Creek Vineyard Lease and Vineyard Maintenance, amounts owed to Baptista Wines Pty Ltd for the sale of wine of $150,000, and the capital expenditure associated with the merging of production facilities at Tuerong Park estimated at $60,000.

The balance of the rights issue (approx $500,000) will be used to fund working capital requirements associated with the new sales and marketing plan estimated to be $300,000 inclusive of employment costs and a general increase in working capital of $200,000..

3.11 No Underwriting

The issue is not underwritten.

3.12 Minimum Subscription

There is no minimum subscription for this issue.

In the event that less than the full amount is raised, the Company will seek to raise additional funds through the placement of the shares not taken up by shareholders, in accordance Section

3.5. If the Company does not raise at least sufficient funds through the Rights Issue and any subsequent placement of shares to meet its funding requirements as outlined above, it may be forced to sell units in the Trust. If it cannot do so, the Company will have to rely on the support of Jinalec and its secured creditors if it is to continue as a going concern.

3.13 Market Price of Shares

The highest and lowest closing sale price of the Company's ordinary, fully paid shares on ASX during the 3 months up to the date of this Prospectus and the respective dates of the sales were:

Highest closing price:	\$0.1305 on November 11, 2005
Lowest closing price:	\$0.0725 on January 25, 2006

The last market sale price of the Company's ordinary, fully paid shares on ASX on the day prior to the date of this Prospectus was \$0.075 on February 10 2006.

4 RIGHTS & LIABILITIES ATTACHING TO SHARES

4.1 Rights Attaching to Ordinary Shares

The Shares issued under this Prospectus will rank equally in all respects with the Company's fully paid ordinary shares already on issue.

Ordinary Shares carry the following rights:

(a) Meetings and Voting

Each shareholder is entitled to receive notice of, and attend and vote at, general meetings of the Company.

At a general meeting, every shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each share held.

(b) Notices

Each shareholder is entitled to receive all notices, accounts and other documents required to be furnished to shareholders under the Constitution of the Company, the ASX Listing Rules and the Corporations Act.

(c) Dividends

Subject to the rights of holders of shares issued with any special or preferential rights (at present, there are no such shares on issue), the profits of the Company which the Directors may from time to time determine to distribute by way of dividends will be distributed amongst shareholders according to the amounts paid (not credited) on the shares as a proportion of the total amount paid and payable (excluding amounts credited) on the shares.

(d) Winding Up

Subject to the rights of holders of shares with preferential rights on a winding up (at present there are no such shares on issue), on a winding up of the Company, shareholders will participate in any surplus assets of the Company in proportion, as nearly as may be to the capital paid up on the shares held by them respectively at the commencement of the winding up.

(e) Transfer

Subject to the Constitution of the Company, the Corporations Act and ASX Listing Rules, shares are freely transferable.

(f) Issue of Further Shares

The allotment and issue of any additional shares is under the control of the Directors of the Company, subject to any restrictions on the allotment of shares imposed by the Constitution of the Company, ASX Listing Rules and the Corporations Act.

(g) Variation of Rights

The rights, privileges and restrictions attaching to ordinary shares can be altered with the approval of a resolution passed at a general meeting of the holders of ordinary shares by a three-quarters majority of those holders who, being entitled to do so, vote at the meeting. If a quorum is not present, or a resolution not passed by the necessary majority, the rights, privileges and restrictions may be varied with the written consent of the holders of at least three-quarters of the ordinary shares on issue within two months of the date of the meeting.

Full details of the rights attaching to the Company's ordinary shares are set out in the Constitution of the Company, a copy of which can be inspected at the office of the Company, Level 6, 412 Collins Street, Melbourne, Victoria. To obtain a definitive assessment of the rights and liabilities which attach to ordinary shares in any specific circumstances, shareholders should seek legal advice.

5 CAPITAL STRUCTURE & EFFECT OF THE ISSUE

5.1 Capital Structure

Issued Capital as at date of Prospectus

Number of Shares	Class
26,902,524	Ordinary fully paid

Options

100,000 options expiring 20 November 2007 with an exercise price of $0.80

390,000 options expiring 10 June 2008 with an exercise price of $0.60

1,500,000 options expiring 20 June 2008 with an exercise price of $0.60

345,600 options expiring 30 June 2008 with an exercise price of $0.25

600,000 options expiring 9 October 2008 with an exercise price of $0.25

1,200,000 options expiring 14 January 2009 with an exercise price of $0.27

400,000 options expiring 8 October 2009 with an exercise price of $0.25

750,000 options expiring 29 November 2009 with an exercise price of $0.27

600,000 options expiring 12 January 2010 with an exercise price of $0.27

1,000,000 options expiring 12 January 2010 with an exercise price of $0.315

8,000 options expiring 30 June 2010 with an exercise price of $0.25

Securities offered by this prospectus

22,382,705 ordinary Shares at 7 cents per share.

Capital Structure Post New Issue (assuming Issue fully subscribed)

Number of Shares	Class
49,285,229	Ordinary fully paid

Options

The number of options will not change.

5.2 Effect of the Issue

The Issue, if fully subscribed, will raise $1,566,789 less expenses of the issue, which are estimated to be $50,000. The funds raised will be used to fund the newly implemented sales and marketing program, repay Jinalec reduce Trade Creditors and fund capital expenditure associated with the focussing of winemaking activities at Tuerong Park.

The effect of the issue is shown in the pro forma accounts set out below, which are based on audited accounts at 30 June, 2005

Dromana Estate Limited
Pro Forma Accounts

	Audited Accounts 30/06/05	After 1:1 Rights Issue
Current Assets		
Cash Assets	86	803
Receivables	487	487
Inventories	5,456	5,456
Other	98	98
Total Current Assets	6,127	6,844
Non-Current Assets		
Equity Accounted Investments	865	865
Property, plant & equipment	1,200	1,260
Total Non Current Assets	2,065	2,125
Total Assets	8,192	8,969
Current Liabilities		
Payables	1,906	1,166
Interest Bearing Liabilities	1,338	1,338
Provisions	36	36
Total Current Liabilities	3,280	2,540
Non-Current Liabilities		
Interest bearing liabilities	37	37
Total Non-Current Liabilities	37	37
Total Liabilities	3,317	2,577
Net Assets	4,875	6,392
Equity		
Contributed Equity	12,727	14,244
Accumultade Losses	(8,036)	(8,036)
Parent Equity	4,691	6,208
Outside Equity	184	184
Total Equity	4,875	6,392

NTA per share	$ 0.18	$ 0.13

5.3 Impact of International Accounting Standards

Apart from the expensing of options granted to employees and directors for remuneration, the Company does not expect any material changes to its Balance Sheet as a consequence of adopting International Financial Reporting Standards (IFRS).

6 RISKS OF INVESTING

Investors should recognize that the price of the Company's shares may fall as well as rise.

Risks associated with investment in the Company include the risks of a general nature relating to investment in securities generally, particularly where the company concerned has a small market.

The Company is exposed to a number of general risks that could affect its assets and liabilities, financial position, profits and losses and prospects, some of which are substantially outside the control of the Company.

The general risks which could impact upon the Company include:

- Inflation and adverse movements in the Australian dollar;
- Changes in regional or world social or economic conditions;
- Availability and cost of debt and equity capital;
- Movements in interest rates;
- Industrial disputes; and
- Movements in local or world stockmarkets.

Specific risks which may affect the Company's business, and the Australian wine industry generally, include:

- changes in fashion, consumer tastes, habits or attitudes towards the consumption of alcohol;
- the quality and the yield of grapes from the vineyards supplying Dromana Estate;
- the loss of customers;
- competitive pressures forcing market prices of wine lower;
- adverse weather conditions affecting grape production or quality;
- diseases affecting vines;
- greater competition from imported wines on the domestic market, or from other countries in export markets, or greater regional competition within the domestic market itself;
- adverse movements in the Australian dollar; and
- an increase in government charges, taxation or excise duties on wine, or the enactment of other legislation detrimental to the wine industry.

7 DIRECTORS INTERESTS

7.1 Except as disclosed in this Prospectus, no Director:

- holds (or held at any time during the last 2 years) any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of Shares under this Prospectus or in the offer of Shares under this Prospectus; or
- has received, and no person has agreed to pay to any director, any amount or benefit to induce him to become, or to qualify as, a director, or for services provided by the Director in connection with the formation or promotion of the Company or the offer of Shares and Options under this Prospectus.

The interests of the Directors, and their related parties as defined in Accounting Standard AASB 1017, in securities of the Company at the date of this Prospectus are as follows:

Directors	**Beneficial Interest in Securities**	
	Ordinary Shares	**Options**
David Traeger	2,266,667	750,000
David Craig *	1,638,773	1,653,600
Geoff Bell	1,000,000	900,000
Richard Green *	821,946	1,605,100

* Mr. Green and Mr. Craig are both directors of Authorised Investment Fund Limited, which holds 5,658,560 shares in the Company.

* Mr. Green and Mr Craig are both directors of Jinalec, which in its capacity as trustee for the Trust, holds 110,796 shares in the Company.

Messrs. Green, Craig and Bell currently have the following individual voting power in the Company (held either directly or through their respective related entities):

Richard Green	2.66 %
David Craig	3.99 %
Geoff Bell	3.72 %

If Messrs Green, Craig and Bell (or their associated entities) each take up their entitlements under the Rights Issue, and no other shareholder does so, the Directors individual voting power will be:

Richard Green	4.48 %
David Craig	6.91 %
Geoff Bell	6.79 %

If Jinalec takes up its entitlement, the voting power of Richard Green will increase to 4.83% and that of David Craig will increase to 7.26% (As each of Richard Green and David Craig hold one of the two shares on issue on Jinalec, they each have a relevant interest in shares in Dromana held by it).

Messrs. Green, Craig and Bell are not associated, and their aggregate voting power in Dromana after the rights issue, even on the basis no other shareholder took up their entitlement, would be only 18.18%.

7.2 Each Director is entitled to director's fees at the rate of A$20,000 per annum in accordance with the Company's Constitution.

7.3 No Director has otherwise received or become entitled to receive a benefit by reason of a contract made by the Company or a controlled entity with the Director, or with a firm of which he is a member, or with a company in which the Director has a substantial financial interest.

8 LEGAL PROCEEDINGS

There is no current or, to the Company's knowledge, pending, litigation of a material nature that may significantly affect the business or financial position of the Company.

9 CO NTINUOUS DISCLOSURE & DOCUMENTS AVAILABLE FOR INSPECTION

This Prospectus is issued pursuant to Section 713 of the *Corporations Act 2001* (Cth), and has adopted the special prospectus content rules for continuously quoted securities.

The Company is a disclosing entity for the purposes of Section 111AC of the *Corporations Act 2001* (Cth). As such, it is subject to regular reporting and disclosure obligations which require it to disclose to ASX any information of which it is, or becomes, aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected, at an ASIC office.

The Company will provide a copy of the following documents free of charge to any person who requests a copy during the period this Prospectus remains open:

1. The financial statements for the year ended 30 June 2005 lodged in relation to the Company;
2. Any other financial statements lodged by the Company after the 2005 financial statements and before the lodgement of this Prospectus with ASIC ("**Relevant Period**"); and
3. The following documents used to notify ASX of information relating to the Company during the Relevant Period under provisions of the ASX Listing Rules:

DATE LODGED	REPORT/CONTENTS
12/10/2005	Appendix 3B Issue of Options to Directors
12/10/2005	3 x Change of Directors Interest Notice
31/10/2005	Notice of Annual General Meeting
31/10/2005	Commitments Test Entity – 1st Quarter
01/12/2005	AGM Results and Shareholder Update
23/12/2005	Appendix 3B – 1: 1 Rights Issue
28/12/2005	Header Correction : 1:1 Rights Issue
11/01/2006	Appendix 3B
11/01/2006	Letter to Optionholders
11/01/2006	Letter to Shareholders
11/01/2006	Disclosure Document
16/01/2006	Takeovers Panel: Dromana Estate Rights Issue
16/01/2006	Response to Takeover Panel Media Release
19/01/2006	GM Appointment/ Timetable Changes/ General

	Meeting
27/01/2006	Extension of Ex Rights Issue Date / Closing Date for Rights Issue
27/01/2006	Withdrawal of Offer Document
31/01/2006	Commitments Test Entity - 2nd Quarter
06/02/2006	Shareholder Letter and Notice of General Meeting

This Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to shareholders or to their professional advisers.

Each Director of the Company has consented to the lodgement of this Prospectus with ASIC, and has not withdrawn that consent prior to this Prospectus being lodged.

Signed on behalf of Dromana Estate Limited.

R.R. Green
Chairman