DROMANA ESTATE LIMITED
ACN 090 000 276
("the Company")

SUPPLEMENTARY PROSPECTUS

This Supplementary Prospectus is a supplementary document to, and is to be read together with, the Company's Prospectus dated 13 February 2006, 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 one new Share for every Share held ("**Original Prospectus**").

Terms and expressions defined in the Original Prospectus have the same meaning when used in this Supplementary Prospectus.

This Supplementary Prospectus is dated 2 March 2006. A copy of this Supplementary Prospectus was lodged with ASIC on 2 March 2006. ASIC takes no responsibility for the content of this Supplementary Prospectus.

Application for Additional Shares

The Original Prospectus (by section 3.4) provides that each shareholder may apply for additional Ordinary Shares in excess of their entitlement, ('shortfall facility') up to a maximum of 300,000 shares ('cap').

The cap on applications for additional shares was intended by the Directors to ensure that the shortfall facility operated equitably, particularly to smaller shareholders, given that applications were to be satisfied on a pro-rata basis, if scaling back was necessary.

In response to an application to it, the Takeovers Panel has expressed a concern the 300,000 share cap may interfere inappropriately with the acquisition of control of shares in Dromana in an efficient, competitive and informed market.

There will therefore be no cap on the shortfall facility, which instead, will operate as follows:

Each shareholder may apply for additional Ordinary Shares in excess of their entitlement ('shortfall facility").

Applications for additional shares under the shortfall facility will be scaled back only if each of the following conditions is met:

(a) the number of shares applied for under the shortfall facility exceeds the number of shares available for distribution under the shortfall facility; and

(b) the applications are scaled back reasonably and fairly having regard to:

- the number of shares in the shortfall;
- the number of shareholders applying for shortfall shares;
- the number of share held by each applicant for shortfall shares;
- the number of shares applied for by each applicant for shortfall shares; and

(c) the scaling back is applied as uniformly as possible to all applications.

Each Director of the Company has consented to the lodgement of this Supplementary Prospectus with ASIC, and has not withdrawn that consent prior to this Supplementary Prospectus being lodged.

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Signed on behalf of Dromana Estate... Dated: 2 March 2006