Dromana Estate Limited
ABN 58 090 000 276
Level 6 412 Collins Street
Melbourne 3000
Telephone: 61 3 9600 3242
Facsimile: 61 3 9600 3245
www.dromanaestate.com.au

3 May 2006

Mr. Gonzalo Valencia,
Adviser Issuers, Melbourne,
Australian Stock Exchange Limited,
530 Collins Street,
Melbourne 3000.

Dear Sir,

I refer to your letter dated May 1, 2006 concerning the Appendix 4C released to the ASX on 28 April 2006.

As stated in the release, climatic conditions at our Mornington Peninsula and Nagambie Lakes area vineyards were such that the Chief Winemakers determined to bring forward this year's vintage by one month. This necessitated bringing forward significant increases in wages and production costs. These costs would normally occur in the April / May period of the year. We expect this timing variance to reverse in the next quarter.

In addition to the January to March period being a high employment cost period with significant costs incurred due to peak tourism season on the Mornington Peninsula, the company as advised in its recent Rights Issue Prospectus used part of the proceeds to reduce its level of Trade Creditors.

The company does not expect negative operating cashflows to be of the same level that was incurred in the January to March 2006 period to be incurred in coming quarters, and looks forward to generating positive cashflows by the second quarter of FY2007.

The next two quarters in addition to our normal operating cashflow requirements will see significant cash outflows to grape growers for our external grape purchase contracts, although the company will be recording contract winemaking revenue during this period there will be a negative cashflow timing variance.

The company has received strong support from shareholders during the recent rights issue and subsequent to the close of the offer the company has attracted support from new investors. It is expected that the shortfall in the rights issue will be fully taken up by new investors within the next month. This will raise an additional $295,000.

Apart from the bringing forward of wage and production costs into the first quarter, the company's actual revenues and expenses were in accordance with the anticipated revenues and expenses for the quarter.

The company has incurred additional salary and consultant costs commencing in January 2006 by the engagement of a new Group General Manager and Export Sales Manager. The benefit of these additional costs will be reflected in the next financial year.

The company confirms that it is in compliance with ASX listing rule 3.1.

The company also confirms that it is in compliance with ASX listing rule 12.2 and looks forward to an improved trading performance in FY2007.

Yours sincerely,
DROMANA ESTATE LIMITED

Chris Ritchie
Chief Financial Officer

CC: Company's Announcement Office – London Stock Exchange

ASX
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1 May 2006

Mr Chris Ritchie
Company Secretary
Dromana Estate Limited
Level 9
406 Collins Street
Melbourne VIC 3000

By Email: chris.ritchie@dromanaestate.com.au

Dear Mr Ritchie

Dromana Estate Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 March 2006 released to Australian Stock Exchange Limited ("ASX") on 28 April 2006 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Net negative operating cash flows for the quarter of $237,000.

2. Cash at end of quarter of $281,000.

In light of the information contained in the Appendix 4C and the Announcement, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities for less than 2 quarters. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?

2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?

3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?

4. If the Company's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did the Company become

aware that its revenues and expenses would not substantially match the anticipated revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.

5. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

6. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

7. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be emailed to me at gonzalo.valencia@asx.com.au. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (ie before 9.30 a.m. E.S.T.) on Thursday, 4 May 2006.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,

Gonzalo Valencia
ADVISER ISSUERS, MELBOURNE