DROMANA ESTATE LIMITED
ABN 58 090 000 276

Appendix 4D - Half-Year Report

The following information is given to the Australian Stock Exchange (ASX) under ASX listing rule 4.2A.3

1. **Reporting period**: **Half-year ended 31 December 2010**

   Previous corresponding period: Half-year ended 31 December 2009

2. **Results for announcement to the market**

2.1	Revenue from ordinary activities was $15,000 down from $784,766 for the previous corresponding period.
2.2	Loss from ordinary activities after tax attributable to members was $51,819 compared to $406,590 for the previous corresponding period.
2.3	Net loss for the period attributable to members was down 9% to $51,819 compared to $406,590 for the previous corresponding period.
2.4	No dividends are proposed and no dividends were paid during the period.
2.5	The record date for determining entitlements to the dividends: - Not applicable.

3. **Net tangible assets per security**

	Current period	**Previous corresponding period**
Net tangible asset backing per ordinary security	0.00 cents	1.11 cents

4. **Entities over which control has been gained or lost during the period**
   There were no entities over which control was gained or lost during the period.

5. **Dividends**
   There were no dividends paid or payable during the period.

6. **Dividend Reinvestment Plan**
   The company does not have a dividend reinvestment plan.

7. **Associates and Joint Venture Entities**
   The company has no associate companies or joint venture entities.

8. **Audit Review Report**
   The audit review report is attached as part of the half-year financial report.

DROMANA ESTATE LIMITED
ABN 58 090 000 276

DIRECTORS' REPORT

Your directors present their report of the company for the half-year ended 31 December 2010.

Directors

The names of the directors who held office during or since the end of the half-year:

Geoffrey J. Bell (Managing Director)
Ben W. Genser
Cheung Kwan
David H.A. Craig (Chairman)
David J.Heaney

Review of Operations

The company has reported a loss of $51,819 for the six months to 31 December 2010. This loss includes an interest expense of $22,500 on the convertible note issued to Jinalec Pty Ltd as Trustee of the Tuerong Park Unit Trust ("Jinalec") and administration costs incurred in maintaining the company's status as a publicly listed company on the ASX.

The company did not trade during the period but did recover an amount of $15,000 from the liquidator of RW&S Pty Ltd ("RWS"), the company's former wine distributor, settling a retention of title claim on wine sold on an agency basis. The company has not received any advice from the liquidator as to whether there will be any recovery of the debt owing by RWS which was written off in the 2010 annual report however it is highly probable that there will be a distribution to unsecured creditors. During the half year, the company settled a claim made against it by a Canadian importer with respect to wine supplied prior to the sale of the winery business to Mornington Winery Group Limited resulting in a loss of $7,922.

The company's major asset is its 13.99% interest in Jinalec which is the owner of the vineyard leased to Mornington Winery Group Limited. Jinalec has been granted a permit to construct a hotel/conference centre, day spa and restaurant on the property on the property which was announced to the market on 27 April 2010. The investment is valued in the books of Dromana at cost.

The independent Directors of Dromana are in consultation with the Directors of Jinalec, Mr David Craig and Mr Richard Green, to determine the most appropriate way for Dromana and its shareholders to participate in the development project. Before the Independent Directors of Dromana are in a position to determine whether to participate directly in the development project, Jinalec needs to undertake further project evaluations and costings which, once valued, will provide a basis for making an appropriate decision.

The Directors are also looking at other investment opportunities for Dromana to participate in, aside from the development project which can add to shareholder value. There are commercial opportunities available to utilize the Dromana corporate structure to benefit all shareholders and these are and will be pursued.

DROMANA ESTATE LIMITED
ABN 58 090 000 276

DIRECTORS' REPORT

Auditor's Declaration

The auditor's independence declaration under s307c of the Corporations Act 2001 for the half-year ended 31 December 2010 is set out on page 5.

This report is signed in accordance with a resolution of the Board of Directors.

Geoffrey J. Bell
Managing Director

Dated this 25th day of February 2011.

CWS SINCOCK & CO
CHARTERED ACCOUNTANTS

25th February 2011

The Board of Directors
Dromana Estate Limited
Level 6
412 Collins Street
MELBOURNE VIC 3000

Dear Board Members,

Dromana Estate Limited

In accordance with section 307C of the *Corporations Act 2001*, I am please to provide the following declaration of independence to the directors of Dromana Estate Limited. As lease audit partner for the review of the financial statements of Dromana Estate Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the audit independence requirements of the *Corporations Act 2001* in relation to the review: and
(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

CWS Sincock & Co
Chartered Accountants

RJ Sincock
Partner

Partner Liability by a scheme approved under Professional Standards Legislation

Liability limited by a scheme approved under Professional Standards Legislation.

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STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	31/12/2010 $	31/12/2009 $
Sales revenue		-	740,234
Cost of sales		-	(426,819)
Write-down of inventory		-	-
Gross profit		-	313,415
Other income		15,000	44,532
Marketing and distribution expenses		(7,922)	(356,317)
Administration expenses		(36,397)	(154,890)
Finance costs		(22,500)	(57,890)
Bad debts written off		-	(195,440)
Loss before income tax		(51,819)	(406,590)
Income tax expense		-	-
Loss for the half-year		(51,819)	(406,590)
Other comprehensive income		-	-
Total comprehensive income for the half-year		(51,819)	(406,590)
Loss is attributable to:			
Members of Dromana Estate Limited		(51,819)	(406,590)
Total comprehensive income is attributable to:			
Members of Dromana Estate Limited		(51,819)	(406,590)
Earnings per share			
Basic earnings per share (cents)		(0.05)c	(0.6)c
Diluted earnings per share (cents)		(0.05)c	(0.6)c

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	31/12/2010 $	30/6/2010 $
Current Assets		
Cash and cash equivalents	16,011	20,916
Trade and other receivables	3,401	10,296
Inventories	-	-
Other current assets	-	-
Total Current Assets	19,412	31,212
Non-Current Assets		
Investments at cost	926,567	916,937
Property plant and equipment	-	-
Total Non-Current Assets	926,567	916,937
Total Assets	945,979	948,149
Current Liabilities		
Trade and other payables	174,989	157,469
Financial liabilities	285,256	253,126
Total Current Liabilities	460,245	410,595
Non-Current Liabilities		
Financial liabilities	900,000	900,000
Total Non-Current Liabilities	900,000	900,000
Total Liabilities	1,360,245	1,310,595
Net Assets	(414,266)	(362,447)
Equity		
Issued capital	14,026,706	14,026,706
Accumulated losses	(14,440,972)	(14,389,153)
Total Equity	(414,266)	(362,447)

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Issued Capital $	Accumulated losses $	Total $
Balance as at 1 July 2009	15,139,199	(14,492,932)	646,267
Transactions with owners			
Issue of share capital	844,584	-	844,584
Transaction costs relating to issue of share capital	(28,205)	-	(28,205)
Total transactions with owners	816,379	-	816,379
Comprehensive income			
Loss for the year	-	(406,590)	(447,896)
Total comprehensive income for the period	-	(406,590)	(447,896)
Balance at 31 December 2009	15,139,199	(14,899,522)	1,056,056
Balance as at 1 July 2010	14,026,706	(14,389,153)	(362,447)
Transactions with owners			
Comprehensive income			
Loss for the year	-	(51,819)	(51,819)
Total comprehensive income for the period	-	(51,819)	(51,819)
Balance at 31 December 2010	14,026,706	(14,440,972)	(414,266)

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	31/12/2010 $	31/12/2009 $
Cash flows from operating activities		
Receipts from customers	35,927	771,145
Payments to suppliers and employees	(133,020)	(1,064,214)
Interest received	-	17,106
Interest paid	-	(57,890)
Net cash used in operating activities	(97,093)	(333,853)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	6,271
Payment for investment in Unit Trust	(9,630)	-
Payment for property, plant and equipment	-	(1,882)
Net cash provided by / (used in) investing activities	(9,630)	4,389
Cash flows from financing activities		
Proceeds from issue of shares	-	816,379
Proceeds from borrowings	146,818	477,648
Repayment of borrowings	(45,000)	(244,238)
Net cash provided by / (used in) financing activities	101,818	1,049,789
Net increase (decrease) in cash held	(4,905)	720,325
Cash at the beginning of the period	20,916	45,762
Cash at the end of the period	16,011	766,087

The accompanying notes form part of these financial statements.

NOTES TO THE HALF-YEAR FINANCIAL REPORT

1. Basis of Preparation of Half-Year Financial Statements

The financial statements for the interim half-year reporting period ended 31 December 2010 are a general purpose financial statement prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Dromana Estate Limited. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2010, together with any public announcements made during the half-year.

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 June 2010 except for the adoption of:

AASB 101:	*Presentation of Financial Statements*
AASB 8:	*Operating Segments*
IAS 123:	*Borrowing Costs*
AASB Interpretation 13:	*Customer Loyalty Programs*

The adoption of AASB 101 makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Company's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example revaluation of property plant and equipment. AASB 101 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. A 'Statement of changes in equity' is now presented as a primary statement.

The adoption of AASB 8 has not affected the identified operating segment for the Group. However reported segment results are now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual and interim financial statements, segments were identified by reference to the dominant source and nature of the Company's risks and returns.

The adoption of AASB 123 Borrowing Costs requires the capitalisation of borrowing costs to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. In accordance with the transitional provisions, no retrospective restatement of borrowing costs has been made. Borrowing costs will be capitalised only for qualifying assets with a commencement date after 1 January 2009. the adoption of AASB 123 does not have a significant effect on the results of the current period or prior periods presented.

The adoption of AASB Interpretation 13 Customer Loyalty Programmes, which clarifies when goods or services are soled together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The customer incentive programmes operated by the Company are short term in nature and the adoption of AASB Interpretation 13 does not have a significant effect on the results of the current or prior periods presented.

NOTES TO THE HALF-YEAR FINANCIAL REPORT

1. Basis of Preparation of Half-Year Financial Statements (continued)

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal trading operations and the realisation of assets and settlement of liabilities in the ordinary course of business.

The company has sustained a loss of $51,819 for the half-year ended 31 December 2010 and is showing a deficiency in net assets of $414,267. The company did not trade during half year but continues to hold a 13.99% interest in Tuerong Park Unit Trust (Trustee – Jinalec Pty Ltd). This investment is recorded in the accounts at cost. The Tuerong Park Unit Trust is the owner of the vineyard leased to Mornington Winery Group Limited and has been granted a permit to construct a hotel/conference centre on the property.

The independent Directors of Dromana are in consultation with the Directors of Jinalec, Mr David Craig and Mr Richard Green, to determine the most appropriate way for Dromana and its shareholders to participate in the development project. Before the Independent Directors of Dromana are in a position to determine whether to participate directly in the development project, Jinalec needs to undertake further project evaluations and costings which, once valued, will provide a basis for making an appropriate decision.

The Directors are also looking at other investment opportunities for Dromana to participate in, aside from the development project which can add to shareholder value. There are commercial opportunities available to utilize the Dromana corporate structure to benefit all shareholders and these are and will be pursued.

The Directors are confident that if necessary they will be able to raise sufficient capital to support the company whilst it evaluates its future direction and remain a going concern. Additional capital may be required to support future investment opportunities including its involvement in the hotel/conference centre. The directors are exploring opportunities to follow through on these strategies.

2. Segment Information

The Company operates predominately in one geographical segment, being Australia and in one industry being investment.

3. Contingent Liabilities

The company has no contingent liabilities at the date of this report.

4. Events Subsequent to reporting date

There have been no material events occurring after balance date that have not been reported in the half-year financial statements.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes as set out on pages 4 to 9 are in accordance with the Corporations Act 2001, including:
   (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Geoffrey J. Bell
Managing Director

Dated this 25th day of February 2011.

CWS SINCOCK & CO
CHARTERED ACCOUNTANTS

Independent Auditors' Review Report
To the Members of Dromana Estate Limited

We have reviewed he accompanying half-year financial report of Dromana Estate Limited which comprises the balance sheet as at 31 December 2010, and the income statement, cash flow statement, statement of change in equity, for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 1 to 10.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review on accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying the Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations-2001. As the auditor of Dromana Estate Limited, ASRE2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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CWS SINCOCK & CO
CHARTERED ACCOUNTANTS

Auditors' Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dromana Estate Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving the true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date: and
(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

CWS Sincock & Co
Chartered Accountants

RJ Sincock
Partner

Melbourne 25th February 2011

Liability by a scheme approved under Professional Standards Legislation

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