

Dromana Estate Limited

ABN 58 090 000 276

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28 August 2014

Dear Shareholder

Notice to Option holders of Renounceable Pro Rata Rights Issue

We write to you as the registered holder of Dromana Estate Limited (Company) options as at today's date.

Offer

As advised in the Company's ASX announcement dated 8 August 2014 and as detailed in the prospectus lodged by the Company with ASIC and ASX on 26 August 2014 (Prospectus), the Company is undertaking a renounceable pro-rata rights issue (Offer) to Eligible Shareholders (defined below) of fully paid ordinary shares in the Company (Shares) each at an issue price of \$0.001 on the basis of three Shares for every one Share held at 5.00pm (WST) on 2 September 2014 (Record Date).

Where the determination of the entitlement of any Eligible Shareholder results in a fraction of a Share, such fraction will be rounded down to the nearest whole Share.

The Prospectus has been lodged with ASIC and ASX and is available on the Company's ASX platform at the ASX website (www.asx.com.au).

Eligible Shareholders

Eligible Shareholders are those persons who:

- (a) are registered as a holder of Shares as at 5.00pm (WST) on the Record Date; and
- (b) have a registered address in Australia or New Zealand (together the Eligible Countries).

The Offer is not being extended to any Shareholder whose registered address is outside the Eligible Countries. Shareholders not satisfying the above criteria will not be eligible to participate in the Offer.

Underwriting

The Offer is fully underwritten by Cygnet Capital Pty Limited (Underwriter). The Underwriter will be paid fees of approximately \$41,509 (excluding GST) in relation to its services as lead manager and underwriter of the Offer (which is intended to be paid in Shares at an issue price of \$0.001 per Share (subject to Shareholder approval)).

The Underwriter has entered into various sub-underwriting agreements pursuant to which the sub-underwriters will sub-underwrite \$370,000 of the Underwriter's underwriting commitment. This includes directors, Mr Gabriel Chiappini's commitment of \$12,500, and Mr Geoff Bell's commitment of \$7,500, to sub-underwrite any shortfall. The Directors will not receive a fee for their sub-underwriting commitments.

Effect of the Offer and Use of Funds

The Company currently has the following securities on issue:

- (a) 230,605,764 Shares;
- (b) 50,000,000 unlisted options (exercisable at \$0.01 on or before 30 November 2014); and
- (c) 100,000,000 convertible notes (with an aggregate face value of \$500,000 convertible at \$0.005 per Share and expiring on 29 December 2016. Subject to Shareholder approval the conversion price will be amended to \$0.001 per Share).

On the basis that no options are exercised, or other securities converted, prior to the Record Date, approximately 691,817,292 Shares will be issued pursuant to the Offer.

The Offer will raise approximately \$691,817 (before payment of the costs associated with the Offer).

Funds raised from the Offer will be used to recapitalise the Company's balance sheet and allow the Company to pursue corporate opportunities to significantly add to shareholder value.

Timetable

The proposed timetable of the Offer is as follows:

Lodgement of Prospectus with ASIC and provision of copies to ASX Appendix 3B given to ASX	26 August 2014
Appendix 3B notice sent to eligible shareholders	28 August 2014
Existing Shares quoted on an "ex" basis and rights trading starts	29 August 2014
Record Date	2 September 2014
Prospectus and Entitlement and Acceptance Form sent to Eligible Shareholders	5 September 2014
Rights trading ends	12 September 2014
Last day to extend the Offer Closing Date	16 September 2014
Closing Date*	19 September 2014
ASX notified of under subscriptions	24 September 2014
Anticipated date for the issue of the Shares**	26 September 2014

* Subject to the Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Any extension of the Closing Date will have a consequential effect on the anticipated date for issue of the Shares.

** Indicative date only.

Other

The Company does not currently have a dividend policy, and no dividends have been paid by the Company since it was listed on ASX. No shareholder approval is required for the Offer.

Under the terms of the options you currently hold, there is no entitlement to participate in the Offer unless you exercise your options, and are entered into the register as a Shareholder of the Company on or before the Record Date.

If you wish to participate in the Offer, you need to exercise your options so that you are registered as a Shareholder of the Company at 5.00pm (WST) on the Record Date. A notice of exercise of options and payment of the exercise price of the options should be lodged with the Company Secretary with sufficient time to ensure that you are registered as a shareholder of the Company by the Record Date.

The directors of the Company recommend that if you are in doubt as to the value of the Offer then you should contact your financial advisor.

For further information on the Offer:

- (a) see the Prospectus lodged with ASIC and ASX on 26 August 2014, and available at www.asx.com.au; or
- (b) contact the Company Secretary on (03) 9855 1700 between 8.30am and 5.00pm (EST) Monday to Friday.

Yours sincerely

Garry Bell
Company Secretary