



**Dromana Estate Limited**

ABN 58 090 000 276  
Level 9, 406 Collins Street  
Melbourne 3000  
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June 29, 2004

**STOCK EXCHANGE ANNOUNCEMENT / PRESS RELEASE**

The company wishes to announce that it has commenced a Loyalty Program based on sales, focusing on high quality restaurants throughout Australia. The initial reaction from restaurateurs has been very encouraging.

Restaurant Owners will be granted options in Dromana Estate Limited based on the level of sales made during each quarter. These options are exercisable at 25 cents and have an expiry date of 30 June 2008.

A pool of 2,000,000 options has been created for this program. The program is aiming to achieve at least 100 of Australia's high quality restaurants and wine bars. A number of these leading restaurants have already agreed to enter the program.

If all options are granted during the financial year, sales revenue from this program is estimated to provide a minimum of \$1.4 million. If next years sales are maintained at this years levels and the loyalty scheme is added, then the overall impact on sales will be an increase of approximately 40% for FY 2005.

If all options are exercised Dromana Estate will receive a capital injection of \$500,000.

Restaurant & Wine Bar owners that are interested in joining and wish to find out the criteria should contact our Melbourne Office for details.

For further details please contact Mr. Chris Ritchie or Mr. Bede Doherty on 03 9600 3242.

**Chris Ritchie**  
**Company Secretary**

Dromana Estate Limited is a producer of premium and ultra premium Australian wine and markets under the labels Dromana Estate, David Traeger Wines, Mornington Estate, Yarra Valley Hills, Baptista, Broken River and Garry Critenden "I".

# DROMANA ESTATE LIMITED

ABN 58 090 000 276

## PROSPECTUS

for an issue of up to 2,000,000 Options over ordinary fully paid shares exercisable at 25 cents each on or before 30 June 2008.

Options will only be issued under this Prospectus to persons who qualify for, are admitted to, and who satisfy the on-going requirements to participate in, Dromana's Loyalty Program.

### CORPORATE DIRECTORY

#### Registered Office:

Level 9  
406 Collins Street  
Melbourne Vic 3000

#### Directors:

Richard R. Green (Chairman)  
David H. A. Craig  
David Traeger

#### Secretary:

Christopher W. Ritchie

#### Share Registry:

Computershare Investor Services Pty Limited  
Level 12, 565 Bourke Street  
Melbourne Vic 3000

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This prospectus is dated 29 June 2004.

A copy of this prospectus was lodged with the Australian Securities & Investments Commission ("ASIC") on 29 June 2004. 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.

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### QUERIES

If have any queries concerning this Offer or any part of this prospectus, please call Mr Bede Doherty or Mr Chris Ritchie on (03) 9600 3242.

## DETAILS OF THE ISSUE

### 1 THE ISSUE

Under this prospectus, Dromana Estate Limited (“**the Company**”) may issue up to 2,000,000 options to acquire fully paid ordinary shares in the Company at an exercise price of 25 cents per share, exercisable on or before 30 June 2008.

Dromana will issue up to 2,000,000 Options in aggregate to persons who qualify for, and are admitted by Dromana into, the Dromana Loyalty Program, and who satisfy the on-going requirements for participation in the Loyalty Program.

To qualify for the Dromana Loyalty Program a person must purchase a minimum of \$500 worth of Dromana product per month.

Persons who qualify for, and who wish to be admitted into, the Loyalty Program must apply to Dromana on the Application Form attached to this Prospectus. Dromana reserves the right in its complete discretion and without giving its reasons to reject any Application. If Dromana accepts an Application, it will advise the applicant in writing of the applicant’s admission into the Loyalty Program.

Options will be granted to participants in the Loyalty Program, based on settled monthly purchases, at the rate of 1 Option for each \$1.00 of purchases (exclusive of GST), increasing as follows:

<b>Purchase per Month</b>	<b>Options Granted</b>
\$500 +	500 (1 option per \$1.00)
\$1,000 +	1,050 (1.05 options per \$1.00)
\$1,500 +	1,650 (1.1 options per \$1.00)
\$5,000 +	7,250 (1.45 options per \$1.00)

Options will be granted at the end of each quarter, in multiples of 100, based on settled purchases in the quarter, rounded down to the nearest \$100.

Dromana reserves the right from time to time on not less than 30 days’ written notice to participants in the Loyalty Program, which must expire at the end of a quarter, to:

- a) alter the terms of the Loyalty Program, provided the alteration takes effect no earlier than the quarter following that in which notice of the alteration was given;
- b) discontinue the Loyalty Program as from the end of the quarter in which notice is given; or
- (c) exclude participants from the Loyalty Program for any quarter or quarters following that in which the notice of exclusion was given.

### 2 USE OF FUNDS

The issue of Options will not raise funds. Any Funds raised by the subsequent exercise of options will be utilized as working capital.

### 3 TERMS OF OPTIONS

Options issued under this Prospectus will be issued on the following terms:

- a) the Options are exercisable at 25 cents per share;
- b) the Options may be exercised at any time after the expiry of three months from their date of issue and prior to their expiry date;
- c) the Options will expire on 30 June 2008;
- d) each Option shall entitle the holder to subscribe for one ordinary fully paid share in the capital of Dromana;
- e) Shares issued on the exercise of Options will be issued on the same terms and conditions, and will rank equally with, the ordinary fully paid shares in Dromana, except that they will rank for dividends in the financial year in which they issued on a pro rata basis from their date of issue;
- f) the holder may exercise the Options in whole or in part, provided that any exercise of Options must be in multiples of 500;
- g) the date of exercise of an Option will be the date on which notice of the exercise of the Option is received at the Company's Share Registry;
- h) an Option may be exercised by the holder giving notice in writing to the Company's Share Registry, together with a cheque for the exercise price;
- i) the Options will not be listed on any Stock Exchange;
- j) the Company will apply to Australian Stock Exchange Limited ("ASX") for official quotation of shares issued on the exercise of Options within three business days of their allotment;
- k) the Options are not transferable;
- l) in the event of any reorganisation of the Company's capital, the rights of an Option holder will be changed to the extent necessary to comply with the Listing Rules of ASX applying to a reorganisation of capital at the time of the reorganisation;
- m) Options will not entitle the holder to participate in any new pro rata issues by Dromana which are extended to shareholders without exercising the Options.

### 4 RIGHTS ATTACHING TO ORDINARY SHARES

Shares issued pursuant to the exercise of Options will carry (in common with the ordinary shares already on issue) the following rights, privileges and restrictions:

- **Meeting 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.

- **Notices**

Each shareholder will be entitled to receive all notices, accounts and other documents required to be given to shareholders under the

Constitution of the Company, the *Corporations Act 2001* (Cth) and the Listing Rules of Australian Stock Exchange Limited (“ASX”).

- **Dividends**

Dividends will be paid to shareholders in proportion to the shares held by them and will be paid proportionately to the amount paid up (excluding amounts credited as paid up) on those shares.

- **Winding Up**

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.

- **Transfer**

Subject to the Constitution of the Company, the *Corporations Act 2001* (Cth) and the Listing Rules of ASX, the shares are freely transferable.

- **Issue of Further Shares**

The allotment and issue of any further shares is under the control of the Directors, subject to any restrictions on the allotment of shares imposed by the Constitution of the Company, the *Corporations Act 2001* (Cth) and the Listing Rules of ASX.

- **Variation of Rights**

The rights, privileges and restrictions attaching to ordinary shares can be altered with the approval of a resolution passed at a separate 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 or, with the written consent of the holders of at least three quarters of the ordinary shares on issue, within 2 months of the date of the meeting.

This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of the Company’s shareholders. Copies of the Company’s Constitution are available for inspection at the Company’s registered office.

## **5 OPTIONS WILL NOT BE LISTED**

Options issued under this Prospectus will not be quoted on any stock exchange.

## **6 DIVIDEND POLICY ON INCREASED CAPITAL**

Shares issued on the exercise of Options granted under this Prospectus will be entitled to any dividend declared on ordinary shares in respect of the financial year in which they are issued calculated on a pro rata basis from the

date of allotment, and will thereafter rank equally with the ordinary shares currently on issue.

## **7 EFFECT OF OFFER ON THE COMPANY**

The effect of the issue on Dromana will depend upon the number of Options issued, and upon the number of Options subsequently exercised.

The Company currently has 19,808,824 ordinary shares on issue. If all 2,000,000 Options are issued, and subsequently exercised, the number of ordinary shares on issue will increase to 21,808,824.

If all 2,000,000 Options are issued, and subsequently exercised, Dromana will raise a maximum of \$500,000 in additional working capital.

If all 2,000,000 Options are issued in the 12 month period ending 30 June 2005, the Company expects that the Loyalty Program could lead to an increase in sales. The extent of any possible increase cannot currently be quantified, but to the extent the Dromana Loyalty Program results in increased sales of Dromana products, the issue of Options will reflect increased revenues for Dromana.

## **8 MARKET PRICE OF SHARES**

The highest and lowest closing sale price of the Company's 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: \$ 0.29 on April 16 2004

Lowest closing price: \$ 0.16 on June 25 2004

The last market sale price of the Company's shares on ASX on the trading day prior to the date of this Prospectus was \$0.16 on June 28 2004.

## **9 ADDITIONAL INFORMATION**

### **9.1 Continuous Disclosure and 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 2003 lodged in relation to the Company;

- 2 Any other financial statements lodged by the Company after the 2003 financial statements and before the lodgement of this Prospectus with ASIC (“**Relevant Period**”); and
- 3 Any documents used to notify ASX of information relating to the Company during the Relevant Period under provisions of the ASX Listing Rules. These documents are listed in the Schedule.

## 9.2 Risks

Optionholders who consider exercising their options should be aware that there are risks associated with an investment in Dromana Estate. Some of these risks apply to companies and investments in shares generally including:

- 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;
- an increase in government charges, taxation or excise duties on wine, or the enactment of other legislation detrimental to the wine industry.

### 9.3 Litigation

The Company is not involved in any litigation which may significantly affect its business or financial position nor is the Company aware of any pending or threatened litigation.

### 9.4 Directors' Interests

#### (a) Interests in Shares and Options

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

<b>Directors</b>	<b>Beneficial Interest in Shares</b>	<b>Options</b>
Richard Green*	565,518	300,100
David Craig*	809,544	350,000
David Traeger	3,066,667	-

\* David Craig and Richard Green are directors of and have beneficial interests in, Authorised Investment Fund Ltd which currently holds 5,626,860 Shares in the Company.

#### (b) Remuneration

The Directors are each entitled to directors' fees of \$20,000 per annum, but declined to draw fees for the year ending 30 June 2003. In addition, the Directors are entitled to be paid reasonable travelling, hotel and other expenses which they incur in carrying out their duties, and any Directors performing extra or special professional services for the Company may be remunerated for those services.

#### (c) Interests in Transactions

- (i) In late 2002, the Company acquired from Invitus Pty Ltd, a company associated with Mr. David Traeger, an 80% interest in David Traeger Wines Pty Ltd, a company which had acquired the labels and wine making business of David Traeger Wines from Mr. David Traeger. The consideration for the acquisition was \$2,120,000, payable as to \$970,000 by instalments, and as to \$1,150,000 by the issue of 2,300,000 ordinary fully paid shares in Dromana at an issue price of 50 cents per share.
- (ii) For the financial year ended 30 June 2003, the Company paid \$137,000 in wine-making fees to Invitus Pty Ltd, of which Mr D. Traeger is a director and in which he has a beneficial interest. Since that date the Company has paid an additional [\$45,000] in wine-making fees to Invitus Pty Ltd, and will pay further fees on an on-going basis.



- (iii) For the financial year ended 30 June 2003, a subsidiary of the Company paid rent of \$54,450 to interests associated with Mr Traeger for the lease of a vineyard at Hughes Creek. Rental of \$4,537.50 per month continues to be paid under the lease.
- (iv) Directors are able, with all staff members, to purchase goods produced by the Company at discounted prices.
- (d) No Other Interests

Except as set out above:

- (a) no Director holds (or held during the last 2 years) any interest in:
  - (i) the formation or promotion of the Company;
  - (ii) in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of the Options; or
  - (iii) the offer of the Options under this Prospectus.
- (b) no amount has been paid or agreed to be paid, and no benefit has been given or agreed to be given, to a Director to induce him to become or qualify as a Director, or for services provided by a Director in connection with the formation or promotion of the Company, or the Offer of the Options.

#### **DIRECTORS' CONSENTS**

Each Director has consented to the lodgement of this prospectus with ASIC and has not withdrawn that consent prior to lodgement of this prospectus.

Signed for and on behalf of Dromana Estate Limited.

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R.R. Green  
Chairman

**SCHEDULE**

<b>Report/Contents</b>	<b>Date Lodged</b>
Tuerong Relocation	16/10/03
Change of Director's Interest	21/10/03
Domaine Wine Shippers	22/10/03
Tuerong Park Unit Trust	29/10/03
First Quarter Report	3/11/03
Appendix 3B - Rights Issue	7/11/03
20% Shareholder Discount on Purchases	9/12/03
Direct Distribution Deal with Buying Group	18/12/03
Results of Renounceable Rights Issue	31/12/03
Notice of Change of Interest by Substantial Shareholder	09/01/04
Change of Directors' Interests	19/01/04
2 <sup>nd</sup> Quarter Report	29/01/04
Change of Directors' Interest Shareholder Update/Share Purchase Plan	05/05/04
Purchase Plan	07/05/04
Change of Directors' Interest	10/05/04
Press Release – WET Rebate	13/05/04
Share Purchase Plan – Update	04/06/04
Extension of Closing Date for Share Purchase Plan	15/06/04
Appendix 3b – Options and Ordinary Shares	28/06/04