



Wallace Absolute
Return Limited

ASX announcement Placement and Rights Offer

Wallace Absolute Return Limited (**WAB**) today announced a placement and rights offer to raise gross proceeds of \$3,146,618.

WAB has received commitments from sophisticated investors to subscribe for 12,600,000 fully paid shares in the capital of WAB at an issue price of 7 cents per share. The placement shares are expected to be issued by 3 December 2010. These shares represent approximately 14.9% of the issued share capital of WAB. An Appendix 3B in respect of this issue is attached.

WAB will also undertake a 2 for 3 rights offer to existing shareholders at an issue price of 3.5 cents per share. The offer will be renounceable meaning that shareholders who do not wish to take up their entitlement may trade their rights on ASX.

The offer will be fully underwritten by Presmore Pty Limited as trustee for the Serendipity Trust (**Presmore**). Presmore is controlled by Mr Mark Smith, director of WAB. Mr Smith also controls Armidale Investment Company Limited (**AIC**), the major shareholder of WAB. In return for underwriting the offer, Presmore will receive an underwriting commission of 5% plus GST of the gross proceeds to be raised from shares issued under the offer other than shares taken up by AIC.

WAB expects to lodge a prospectus for the rights offer with ASIC and ASX by Friday 3 December 2010. The record date and timetable for the offer will be announced at that time. Presmore's commitment to underwrite the rights offer is conditional on lodgement of a prospectus in a form acceptable to Presmore.

AIC has confirmed that it will take up its entitlement under the offer in full.

As a result of the placement, the voting power of Mr Smith and AIC in the Company has reduced from approximately 68% to approximately 59.1%. If AIC takes up its entitlement in full under the rights issue and no other shareholder applies for any shares under the rights offer, the voting power of Mr Smith and AIC will increase to 75% on completion of the offer.

Shareholders who take up their entitlement in full will also have the opportunity to apply for at least 50% of any shortfall in applications under the rights offer through a shortfall offer. In the event of oversubscription for this shortfall, applications under the shortfall offer will be scaled back pro rata to the shares held by applicant shareholders on the record date.

Net proceeds of the Offer will be used to provide WAB with additional cash to:

- better position the Company to seek to negotiate a restructuring of the investment in Hal Data Services Pty Ltd;
- fund litigation against Wallace Funds Management Pty Ltd (in liquidation), Richard Wallace and associated parties;
- provide funds for investment in accordance with the Company's investment mandate;
- meet the costs of the Offer; and
- provide working capital to meet operating costs of the Company.

For further information, please contact Gabriel Radzynski on 02 8014 1188.

Released: 1 December 2010

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Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

Wallace Absolute Return Limited

ABN

ABN 58 100 854 788

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|----------------------------|
| 1 | +Class of +securities issued or to be issued | Ordinary Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 12,600,000 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Fully paid ordinary shares |

4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

New shares will rank pari passu with existing shares from date of issue

5 Issue price or consideration

\$0.07

6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)

To provide WAB with additional cash to:

- better position the Company to seek to negotiate a restructuring of the investment in HDS;
- fund litigation against WFM, Richard Wallace and associated parties;
- provide funds for investment in accordance with the Company's existing investment mandate;
- meet the costs of the Offer; and
- and to provide working capital to meet operating costs of the Company.

7 Dates of entering +securities into uncertificated holdings or despatch of certificates

By 3 December 2010

	Number	+Class
8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)	97,055,052	Ordinary shares
	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	—	

+ See chapter 19 for defined terms.

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	New shares will participate in distributions from date of issue
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Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	N/A
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12	Is the issue renounceable or non-renounceable?	N/A
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13	Ratio in which the +securities will be offered	N/A
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14	+Class of +securities to which the offer relates	N/A
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15	+Record date to determine entitlements	N/A
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16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
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17	Policy for deciding entitlements in relation to fractions	N/A
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18	Names of countries in which the entity has +security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	N/A
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19	Closing date for receipt of acceptances or renunciations	N/A
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20	Names of any underwriters	N/A
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21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	No
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do +security holders dispose of their entitlements (except by sale through a broker)?	N/A

+ See chapter 19 for defined terms.

33 +Despatch date

N/A

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought

N/A

39 Class of +securities for which quotation is sought

N/A

40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

N/A

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

N/A

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)	N/A	N/A

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.


Gabriel Radzynski

Sign here:
(Director –
Wallace Absolute Return Limited)

Date: 1 December 2010

Print name: **Gabriel Radzynski**

+ See chapter 19 for defined terms.