

**Wallace Absolute Return Limited
(ACN 100 854 788)**

Second Supplementary Prospectus

This is the Second Supplementary Prospectus intended to be read with the original Prospectus dated 6 December 2010 and the first supplementary prospectus dated 24 December 2010 relating to the offer of up to 64,703,368 Shares at an issue price of \$0.035 per share (together the **Original Prospectus**).

This Supplementary Prospectus is dated 30 December 2010 and was lodged with the Australian Securities and Investments Commission (**ASIC**) pursuant to Section 719(1) of the Corporations Act 2001 on that date. The ASIC and its officers take no responsibility for the contents of this Supplementary Prospectus.

Pursuant to Section 719(4) of the Corporations Act, the information set out below is taken to be included in the Original Prospectus. Terms defined in the Original Prospectus have the same meaning in this Supplementary Prospectus except where otherwise defined in this Supplementary Prospectus.

Restructure of investment in Hal Data Services

On 27 December 2010 WAB conditionally agreed with Hal Data Services Group (**HDS**) and a number of parties, including Richard Wallace to restructure certain aspects of the existing financing from Lease Company of Australia Limited (**LCA**) in favour of HDS.

The restructure involves the cancellation of some of current LCA notes, reducing the LCA notes outstanding from approximately \$24 million to \$3.5 million. The arrangements when completed will have the effect of materially reducing HDS' interest cost.

WAB will also acquire LCA for \$100,000 and settle its litigation with Richard Wallace and associated entities by seeking a court order to award judgement in favour of those defendants with no orders as to costs.

The agreement is contingent on approval by LCA Noteholders and the Supreme Court of NSW.

The litigation and associated expenses have cost the company many hundreds of thousands of dollars, without any certainty of full recovery by WAB for expenses and damages suffered. In coming to a decision to settle the proceedings the Directors had regards to the costs involved in pursuing the litigation, the uncertainty involved and the diversion of focus away from the operations of the company and the benefits to flow to WAB from an improved business platform for HDS.

This restructure agreement represents a significant step towards maximising the value of WAB's interests in HDS by providing HDS with an improved position to re-establish its business operations.

With the exception of the recently announced loan to HDS, WAB's other interests in HDS are currently valued at nil. The directors will seek a valuation of WAB's interests in HDS following the completion of this transaction which may result in a revaluation of these interests.

Directors' Authorisation

Each Director has given, and has not withdrawn, their consent to the lodgement of this Supplementary Prospectus with ASIC. This Supplementary Prospectus has been signed by Mark Schiliro, for and on behalf of Wallace Absolute Return Limited.

A handwritten signature in black ink, appearing to read 'M. Schiliro', with a stylized flourish at the end.

Mark Schiliro
Director

Dated: 30 December 2010