



Wallace Absolute Return Limited
Newmarket NSW

4 June 2010

Via: E Lodgement/ OR
Fax – Company announcements: 1300 135 638

Australian Securities Exchange
Continuous Disclosure Area

WAB RECEIVES CONDITIONAL TAKEOVER PROPOSAL

Further to the announcement made on 1 June 2010, Wallace Absolute Return Limited ("WAB" or "Company") has today received the attached letter of intention from Armidale Investment Company Pty Ltd ("AIC") to acquire 100% of WAB ("Proposal").

The Proposal is similar to that announced on 1 June 2010. It contemplates a full cash offer of 5.9 cents per share in the Company and is expressed to be conditional on the following:

- No event taking place between 4 June 2010 and the end of the bid period that would fall within the matters set out in section 652C(1)(a)-(h) of the Corporations Act 2001 (Cth).
- AIC becoming entitled to at least 50.1% of the shares in WAB (which includes Presmore's current direct holding of 11.9%).
- No material asset sales or acquisitions by WAB including no sale of any interest held by WAB in HAL Data Services Pty Ltd.
- The discontinuation of the capital raising announced by WAB on 5 May 2010 ("Rights Issue").

The Board is currently reviewing the Proposal. In particular, the Board notes that the Proposal is subject to a discontinuation of the Rights Issue. Previously, AIC's non-binding indicative proposal as announced on 1 June 2010 was conditional on the discontinuation of the Rights Issue or deferral of the closing date of the Rights Issue so that it did not occur until the end of the offer period under AIC's proposed offer. The Board confirms that under the terms of the underwriting agreement to the Rights Issue, WAB does not have a unilateral right to discontinue the Rights Issue and that the Underwriter does not agree to discontinue the Rights Issue.

AIC states that it intends to provide WAB with a bidder's statement shortly.

At this time, WAB shareholders are advised to take no action in relation to the Proposal.

Shareholders will be further updated once the Board has had an opportunity to review the Proposal on its merits and discuss the implications relating to the current Rights Issue.

For further information, contact:

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 180 Beardy Street
 Armidale NSW 2350

Mr Ken Barry
 Chairman
 Wallace Absolute Return Limited
 Level 3, 20 Loftus Street
 Sydney NSW 2000

4 June 2010

Dear Ken,

Offer to acquire Wallace Absolute Return Limited

- This letter confirms the intention of Armida Investment Company Pty Ltd's (AIC)¹ to make a full cash takeover offer for 100% of the shares in Wallace Absolute Return Limited (WAB) (the Offer).
- The following are the more detailed terms of our Offer including the price of 5.9 cents (Offer Price) for each WAB share.
- This Proposal is an attractive and compelling opportunity for WAB shareholders.

Conditions

- The Offer is only subject to the following conditions:
 - a. No event taking place between the date of this letter and end of the bid period that would fall within the matters set out in s 652C (1) (a) to (h) of the Corporations Act 2001 (Cth).
 - b. AIC becoming entitled to at least 50.1%² of the shares in WAB.
 - c. No material asset sales or acquisitions by WAB including no sale of any interest held by WAB in HAL Data Services Pty Ltd.
 - d. The discontinuation of the capital raising announced by WAB on 5 May 2010 (Rights Issue).

An attractive offer for WAB shareholders

- The Offer Price represents full and fair value to shareholders of WAB, being
 - 68.6% premium to the issue price under the Rights Issue³
 - 63.9% premium to the last sale price of WAB shares prior to our initial approach⁴

¹ AIC, Mark Smith and Presmore Pty Ltd as trustee for Smith Miller Family Trust (Presmore) are associates (as that term is defined in the Corporations Act 2001 (Cth)), as associates they hold 11.9% of WAB.

² This includes Presmore's current direct holding of 11.9%.

³ According to the Prospectus for the Rights Issue dated 24 May 2010.

⁴ 14 May 2010 which was the last date shares were traded prior to our initial approach.

- 45.0% premium to the VWAP of WAB shares on the ASX in the 1 month ending 14 May 2010⁵
- 40.5% premium to the last report NTA per share⁶
- Significant premium being paid by AIC to existing shareholders for control of WAB.

The Offer's cash consideration provides certainty and a fixed exit price to WAB shareholders, which should be attractive to shareholders given the current uncertainty and associated risks surrounding the Company's future.

A superior alternative to the Rights Issue

The Offer is superior to the current Rights Issue and AIC requires that the Company discontinue the Rights Issue. AIC does not accept that WAB does not have the right to discontinue the Rights Offer and calls on the board of directors to do so immediately either as a matter of contract or because it gives rise to unacceptable circumstances because the control effect exceeds what is reasonably necessary for the purpose of raising funds.

AIC is willing to indemnify the Company in respect of a claim by the underwriter (up to the amount of underwriter's commission - \$62,813). In addition, in order to minimise any adverse consequences AIC is prepared to assist with financing WAB's business during the Offer period and to take any other reasonable steps to minimize the adverse consequences of discontinuing the Rights Issue.

AIC is of the view that the board of WAB ought to allow shareholders a fair opportunity to choose between two alternate control transactions. A Right Issue that will pass control of WAB to the Underwriter without paying the WAB shareholders a takeover premium. The alternate is AIC's Offer that will pay WAB shareholders a full and fair price for their shares.

Proposed timing and process

- We intend to provide WAB with a bidder's statement shortly.

Financing

- The Offer will be financed by way of a \$4.5 million loan from New England Investment Company Pty Ltd (ACN 143 925 544) a wholly owned subsidiary of Presmore. These funds are immediately available and are on deposit with New England Credit Union Ltd trading as New England Mutual

Background to AIC

- AIC is a proprietary company established on 27 May 2010. Its principal activity is to acquire shares of WAB. AIC has share capital of \$100. The sole shareholder and director of AIC is Mark Smith
- Mark Smith is also the sole shareholder and director of Presmore. Presmore is the trustee of the Smith Miller Family Trust and currently holds 11.9% of WAB in its capacity as trustee.
- Mark Smith, AIC and Presmore are associates⁷; collectively they hold 11.9% of WAB.

⁵ VWAP of 4.07 cents per share from 14 April 2010 to 14 May 2010 (see point 4 above). Source: Bloomberg

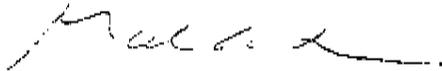
⁶ AS at 30 April 2010, as reported in an ASX Announcement released by the Company on 14 May 2010.

⁷ As defined in the Corporations Act 2001 (Cth)

10. AIC has the capacity to complete the offer should all non-Presmore shareholders accept. Presmore has agreed with AIC that it will not accept the proposed offer should it proceed.

In conclusion, we reiterate our strong interest in acquiring WAB and believe this Proposal represents an outstanding opportunity for the board of directors of WAB to deliver significant value to the Company's shareholders.

Yours sincerely



Mark Smith

Director

Armidale Investment Company Pty Limited