

16 December 2010

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

Over the past 2 ½ weeks, Bryant Plavsic, our CFO, and I have been conducting a road show, meeting with investment and commercial bankers, private equity, business advisors and accounting firms. The purpose of our meetings has been to explain our new corporate strategy and to identify any potential acquisition opportunities that might fit that strategy.

Although we have been casting quite a wide net initially, as has been explained in the past, Australasia Consolidated (ASX : AAO) intends to focus on one sector in the market. Therefore, our first acquisition will be quite important as that sets us down a path in which we intend to aggregate complementary businesses to build scale and grow total shareholder return. We have already been presented with or identified a number of potential opportunities in this regard and will be spending a significant amount of time over the coming month to further analyze which of these offers the greatest potential for you, our shareholders.

The feedback from those in the market with whom we have met over the past few weeks has been universally positive. It has been recognized by those we speak with that AAO offers a number of unique points of difference from the more traditional private equity firms in that:

- In the longer term we intend to specialize in one sector of the market as opposed to a more conglomerate style of investment;
- We offer the asset seller the opportunity to participate in the return on our investment by taking equity in the combined entity and yet a method for exiting is readily available in the future; and
- We intend to hold each acquisition for the long run, integrating each company into a more robust platform in order to allow each business to realize it's full potential.

During the road show, it has been pleasing to see that a material proportion of our listed options have been exercised. This resulted in the raising of \$1.65M in cash whilst not diluting shareholders and improving the capital structure of the Company. Macquarie Equities Limited acted as the broker to facilitate the conversion of these options.

We will continue to update you further on our progress in executing this strategy and I look forward, ultimately, to announcing our first acquisition.

Best Regards,
Bob Browning
Chief Executive Officer