



Wallace Absolute
Return Limited

1 April 2010

Dear Shareholder

**YOUR CHAIRMAN RECOMMENDS SHAREHOLDERS
VOTE AGAINST PRESMORE'S RESOLUTIONS**

I am writing to you about an important matter concerning the future of your investment in Wallace Absolute Return Limited (**WAB** or **Company**).

On 17 March 2010, Presmore Pty Ltd <Smith Miller Family A/c> (**Presmore**), a shareholder with 11.4% of the issued shares of WAB, delivered a requisition to the directors of WAB (**Directors**) calling for a general meeting of shareholders to be held under section 249D of the Corporations Act 2001 (Cth). The Board understands that Presmore is seeking to gain control of the board of WAB through a proposal to:

- remove two of the three current directors of WAB; and
- replace them with Presmore's nominees.

The proposed resolution purporting to remove Mr Alan Liddle and Mr Michael Birch as Directors will not be put to the registered shareholders of the Company (**Shareholders**) at the general meeting. The reasons for this are set out in the Explanatory Notes that accompany this letter. The general meeting will be convened solely for the purposes of considering the appointment of Presmore's nominees to the Board.

The Board recommends you **VOTE AGAINST**:

RESOLUTION 1: Appointment of Mr Paul Nicolaou as a Director

RESOLUTION 2: Appointment of Mr Gabriel Radzynski as a Director

The reasons for **VOTING AGAINST BOTH PROPOSED RESOLUTIONS** are set out below and in the Explanatory Notes which accompany this letter. **You are encouraged to read the Notice of Meeting and the accompanying Explanatory Notes.**

Your Board does not support Presmore's actions and believes they are not in the best interests of the Company or the majority of Shareholders. For example:

Presmore's intentions for the future of WAB are unclear

- Presmore's intentions for the future of WAB are not clear.
- The Board has sought information from Sandon Capital regarding Presmore's intentions and has, to date, received no indication of its plan.

Qualification of proposed new Directors

- To date, Presmore has not provided any information in respect of Mr Paul Nicolaou and Mr Gabriel Radzynski for the Board to form a view that they are suitably qualified to be Directors in the current circumstances.

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The Board has a clear plan for the future

- At the Company's Annual General Meeting in November 2009, the Board announced that it would undertake a strategic review process for the future of WAB.
- The Board expects to shortly announce the outcome of the strategic review which may include a recapitalisation of WAB and changes to the Board.
- In those circumstances, the Board should remain until this time to ensure an orderly transition process.

Shareholders will have the opportunity to vote on the resolutions at a General Meeting (**GM or meeting**) to be held at The Radisson Hotel and Suites (Trades and Sussex Room), 72 Liverpool Street, Darling Harbour in Sydney, New South Wales, at 11.00am (Sydney time) on Monday 17 May 2010. **Your vote will be important as the meeting has the real potential to affect the future of the Company.** If you are unable to attend the meeting, the Board encourages you to participate by completing and returning the enclosed proxy form. Instructions for returning your proxy form are included with the Notice of Meeting.

If you have any questions about this document or your investment in WAB, we encourage you to contact WAB on enquiries@wallaceabsolutereturn.com.au or call +612 9255 9770.

Sincerely,



Ken Barry
Chairman
1 April 2010

Wallace Absolute Return Limited

Notice of General Meeting

(ABN 58 100 854 788)

Notice is given that a General Meeting (**GM** or **meeting**) of Wallace Absolute Return Limited (**WAB** or **Company**) will be held at The Radisson Hotel and Suites (Trades and Sussex Room), 72 Liverpool Street, Darling Harbour in Sydney, New South Wales, at 11.00am (Sydney time) on Monday 17 May 2010.

The GM has been requested pursuant to section 249D of the Corporations Act 2001 (Cth) (**Corporations Act**) by Presmore Pty Ltd <Smith Miller Family A/c> (**Presmore**), being a member of the Company with at least 5% of the votes that may be cast at a general meeting of the Company.

Business

1. **Appointment of Mr Paul Nicolaou as a Director**

To consider and if thought fit, to pass the following resolution as an ordinary resolution:

"That Paul Nicolaou be appointed as a director of the Company with effect from the close of this meeting."

2. **Appointment of Mr Gabriel Radzyninski as a Director**


To consider and if thought fit, to pass the following resolution as an ordinary resolution:

"That Gabriel Radzyninski be appointed as a director of the Company with effect from the close of this meeting."

Explanatory Notes

Shareholders are referred to the Explanatory Notes accompanying and forming part of this Notice of Meeting which contain information regarding the above resolutions. Shareholders should read this Notice of Meeting and the Explanatory Notes carefully and in their entirety.

By order of the Board, as requested pursuant to section 249D of the Corporations Act.



Ken Barry
Chairman
1 April 2010

Voting Information

Entitlement to Attend and Vote

The Board has determined that, for the purposes of the meeting (including voting at the meeting) members are those persons who are registered holders of shares at 11.00am (Sydney time) on Saturday 15 May 2010.

Voting by Corporate Representative

A member that is a body corporate and who is entitled to attend and vote at the meeting may elect to appoint a representative in accordance with the Corporations Act, in which case written proof of the representative's appointment (such as a letter or certificate, executed in accordance with the body corporate's constitution, authorising the person as the representative; or a copy of the resolution, certified by the secretary or a director of the body corporate, appointing the representative) must be lodged with, or presented to the Company, prior to the commencement of the meeting.

Voting by Proxy

- (a) A member who is entitled to attend and cast a vote at the meeting may appoint an individual or body corporate as the member's proxy to attend and vote for the member at the meeting.
- (b) Should a member appoint a body corporate as its proxy, that body corporate will need to ensure that it:
 - appoints an individual as its corporate representative to exercise its powers at meetings, in accordance with section 250D of the Corporations Act; and
 - provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.
- (c) If the member is entitled to cast 2 or more votes at the meeting, the member may appoint 2 proxies. If the member appoints 2 proxies, the appointment may specify the proportion or number of the members' votes that each proxy may exercise, and if the appointment does not so specify, each proxy may exercise one half of the votes.
- (d) A proxy need not be a member of the Company.
- (e) The instrument appointing the proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under seal or under the hand of an officer or attorney duly authorised.
- (f) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney must be received at the address specified below, not less than forty-eight (48) hours before the time of holding the meeting. Proxy forms may be lodged:
 - by posting, delivery or facsimile to the Company's share registry as follows:

Wallace Absolute Return Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Facsimile: (02) 9287 0309

- lodging it online at Link's website (www.linkmarketservices.com.au) in accordance with the instructions given there (you will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website); or
- delivering it to Level 12, 680 George Street, Sydney NSW 2000.

A proxy appointment form accompanies this Notice of General Meeting.

How the Chairman of the GM will vote undirected proxies

The Chairman of the GM will vote all undirected proxies against each of the resolutions.

Recommendations of your Board

Shareholders should read these Explanatory Notes before determining whether to vote against, for, or to abstain from voting on the resolutions set out in this Notice of Meeting.

The Board recommends shareholders vote against each of the resolutions.

The Board recommends that Shareholders vote against each of the resolutions contained in this Notice of Meeting.

The Chairman of the GM will vote all undirected proxies against each of the resolutions.

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Explanatory Notes

These Explanatory Notes have been prepared for the information of Shareholders of Wallace Absolute Return Limited in relation to the business to be conducted at the GM to be held at The Radisson Hotel and Suites (Trades and Sussex Room), 72 Liverpool Street, Darling Harbour in Sydney, New South Wales, at 11.00am (Sydney time) on Monday 17 May 2010.

Why has this meeting been called?

This GM has been requested pursuant to section 249D of the Corporations Act by Presmore, being a member of the Company with at least 5% of the votes that may be cast at a general meeting of the Company.

This GM has NOT been instigated by your current Directors.

Each resolution set out in the Notice of Meeting has been proposed by Presmore, NOT by your Directors.

About the section 249D requisition

As disclosed by the Company to the ASX on 18 March 2010, the requisition received by the Company from Presmore on 17 March 2010 (**Section 249D Requisition**) requested the Directors call a general meeting of Shareholders to consider resolutions:

1. removing Mr Alan Liddle and Mr Michael Birch as Directors; and
2. appointing Mr Paul Nicolaou and Mr Gabriel Radzynski as new Directors.

Comments in relation to the resolutions proposed by Presmore

1. Proposal to remove two of the existing Directors

The Board considers that Presmore failed to comply with the procedural requirements of section 203D of the Corporations Act (which provides for the removal of directors of a public company) because Presmore did not give the required 2 months notice of its intention to move that Mr Liddle and Mr Birch be removed at the requisitioned meeting of the Company.

On this basis, the resolutions proposed by Presmore to remove Mr Alan Liddle and Mr Michael Birch as Directors will NOT be put to Shareholders at the general meeting.

Presmore is entitled to validly requisition a meeting of Shareholders to consider this resolution if it so chooses.

2. Resolutions 1 and 2 – Appointment of Mr Paul Nicolaou and Mr Gabriel Radzynski as Directors

For the reasons set out below, the Board recommends Shareholders vote against the resolution to appoint Mr Nicolaou and Mr Radzynski as Directors:

- WAB has run a strategic review process to identify the optimal strategy for WAB going forward and to develop a plan for the benefit of all WAB shareholders. Presmore, through its advisor Sandon Capital, was invited to participate in this process and declined to do so. WAB expects to shortly announce the outcome of its strategic review which may include a recapitalisation and changes to the composition the Board.

- The Board is not certain what intention Presmore has for the future of WAB. The Board has sought information from Sandon Capital regarding Presmore's intentions and has, to date, received no indication of its plan.
- Presmore has not provided WAB with information in respect of the qualifications of Mr Paul Nicolaou and Mr Gabriel Radzynski for the Board to form a view that they are suitably qualified to be Directors of WAB in the current circumstances.
- Your Board has continued to work in the interests of all Shareholders in challenging circumstances, including by:
 - terminating the external management agreement with Wallace Funds Management Pty Ltd for material breach;
 - establishing an internal investment management capability;
 - reducing risk in the investment portfolio by amending the Company's investment guidelines; and
 - restructuring the Company's investment in Hal Data Services Pty Ltd.

In these circumstances, the Board believes Shareholders should vote against the appointment of Mr Paul Nicolaou and Mr Gabriel Radzynski.

Recommendations of your Board

The Board recommends that Shareholders read these Explanatory Notes before determining whether to vote against, for, or to abstain from voting on the resolutions set out in the Notice of Meeting.

The Board recommends that Shareholders vote against each of the resolutions contained in this Notice of Meeting.

The Chairman of the GM will vote all undirected proxies against each of the resolutions.

Glossary

ASX means the Australian Securities Exchange.

Board means the Board of directors of the Company.

Company or **WAB** means Wallace Absolute Return Limited ABN 58 100 854 788.

Corporations Act means the Corporations Act 2001 (Cth)

Director means a director of the Company.

GM or **meeting** means the General Meeting of Shareholders to be held at The Radisson Hotel and Suites (Trades and Sussex Room), 72 Liverpool Street, Darling Harbour in Sydney, New South Wales, at 11.00am (Sydney time) on Monday 17 May 2010, or any adjournment of that meeting.

Presmore means Presmore Pty Ltd <Smith Miller Family A/c> ABN 59 003 430 779.

Section 249D Requisition means the requisition under section 249D of the Corporations Act received by the Company from Presmore on 17 March 2010.

Shares means fully paid ordinary shares in the capital of the Company.

Shareholders means registered holders of Shares in the Company.

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