

WALLACE ABSOLUTE RETURN LIMITED
A.B.N. 58 100 854 788

PRO FORMA STATEMENT OF FINANCIAL POSITION
AS AT COMPLETION OF THE ISSUE HAVING RAISED \$17,624,000

	\$'000
Current Assets	
Cash Assets	16,938
Prepayments	243
Total Current Assets	<u>17,181</u>
Non Current Assets	
Plant & Equipment	14
Total Non Current Assets	<u>14</u>
Total Assets	<u><u>17,195</u></u>
Current Liabilities	
Payables	-
Interest Bearing Liabilities	281
Total Current Liabilities	<u>281</u>
Total Liabilities	<u>281</u>
Net Assets	<u><u>16,914</u></u>
Equity	
Issued Capital	17,141
Accumulated Losses	(227)
Total Equity	<u><u>16,914</u></u>

The Pro Forma Statement of Financial Position should be read in conjunction with the assumptions attached.

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ASSUMPTIONS ON WHICH THE PRO FORMA STATEMENT OF FINANCIAL POSITION IS BASED

The purpose of the pro forma Statement of Financial Position is to show the financial effect on the Company as if the following transactions had taken place as at completion of the issue.

- The allotment of 17,624,000 ordinary shares and 17,624,000 options to acquire ordinary shares in Wallace Absolute Return Limited pursuant to the prospectus dated 29 October 2002 (the "Prospectus"), raising cash funds of \$17,624,000;
- The payment of approximately \$483,000 in costs incurred by the Company in relation to the Capital Raising and the Prospectus, and the subsequent write off of these costs against the capital raised; and
- The payment of any further costs accrued by the Company up to completion date.

The pro forma Statement of Financial Position is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

It is recommended that this pro forma Statement of Financial Position be read in conjunction with the Prospectus.

The accounting policies applied by the Company in the preparation of this pro forma Statement of Financial Position are consistent with those applied in the Prospectus.

22 January 2003

The Directors
Wallace Absolute Return Limited

Dear Sirs

Independent Accountant's Review Report on pro forma Statement of Financial Position of Wallace Absolute Return Limited (the "Company")

We have prepared this report on the attached pro-forma Statement of Financial Position to comply with the requirements of Australian Stock Exchange Listing Rule Chapter 1 clause 1.3.5(c), pursuant to the Company's application for listing and proposed offer based on the issue of 17,624,000 ordinary shares and 17,624,000 options to acquire ordinary shares in Wallace Absolute Return Limited pursuant to a prospectus dated 29 October 2002 (the Prospectus), raising cash funds of \$17,624,000 (the "Offer").

Scope of review of pro forma Statement of Financial Position

You have requested Moore Stephens WI to prepare an Independent Accountant's report covering the pro forma Statement of Financial Position of the Company as at 20 January 2003 assuming the completion of the Offer, the transactions contemplated to occur as a result and certain other transactions occurring between 20 January 2003 and the anticipated date of the Company's ordinary shares being listed on the Australian Stock Exchange.

The directors of Wallace Absolute Return Limited are responsible for the pro forma Statement of Financial Position as at 20 January 2003. We have conducted our review of the pro forma Statement of Financial Position in accordance with Auditing Standard AUS902 "Review of Financial Reports". We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the Statement of Financial Position;
- review of the assumptions used to compile the pro forma Statement of Financial Position;
- comparison of consistency in application of applicable Accounting Standards and accounting policies;
- comparison of consistency in application of assumptions and accounting policies disclosed in the Prospectus;
- review of work papers, accounting records and other documents; and
- enquiry of directors, management and others.

These review procedures were substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards, the purpose of which is the expression of an opinion on financial statements taken as a whole. Accordingly, we do not express such an opinion.

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Wallace Absolute Return Limited
Independent Accountant's Review Report
22 January 2003

Statement on pro forma financial information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the pro forma transactions do not form a reasonable basis for the pro forma Statement of Financial Position;
- the pro forma Statement of Financial Position has not been properly prepared on the basis of the pro forma transactions; and
- the pro forma Statement of Financial Position has not been prepared in accordance with the accounting policies of the Company and the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements.

Yours faithfully

Moore Stephens WI

Moore Stephens WI

Scott Whiddett

Scott Whiddett
Partner