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AJL/MJPRES16099-9070625

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12 July 2010

**By fax:** 1300 135 638

Company Announcements Office  
ASX Limited

Dear Sir/Madam

**Takeover offer by Armidale Investment Company Pty Ltd for  
Wallace Absolute Return Limited – completion of dispatch of  
bidder's statement**

We act for Armidale Investment Company Pty Ltd ACN 143 917 088 (**AIC**) in relation to its off-market takeover offer for all the shares in Wallace Absolute Return Limited ACN 100 854 788.

We **attach**, by way of service pursuant to section 633(1) item 8 of the *Corporations Act 2001* (Cth), a notice stating that AIC has today completed sending its bidder's statements to offerees.

Yours faithfully  
**Corrs Chambers Westgarth**

*Corrs Chambers Westgarth*

**attachment**

**Armidale Investment Company Pty Ltd  
ACN 143 917 088**

**Section 633(1), items 7, 8 and 9 Corporations Act 2001 (Cth)**

**Notice of completion of sending bidder's statement and offers**

**To: Wallace Absolute Return Limited  
ASX Limited  
Australian Securities and Investments Commission (ASIC)**

Armidale Investment Company Pty Ltd ACN 143 917 088 (AIC) gives notice that it has today completed sending its bidder's statement dated 25 June 2010 (Bidder's Statement), which contains an offer dated 12 July 2010 (Offer) to each person registered as the holder of ordinary shares in Wallace Absolute Return Limited ACN 100 854 788 (WAB) in the register of WAB shareholders as at 7:00pm (New South Wales time) on 8 July 2010 (being the date set by AIC under section 633(2) of the Corporations Act 2001 (Cth) (Corporations Act)) (Relevant Offerees).

A copy of the Bidder's Statement (which contains the Offer), together with all additional information sent to the Relevant Offerees as required by section 633(1C) of the Corporations Act (inserted into the Corporations Act by ASIC Class Order 01/1543) and section 633(6) of the Corporations Act, is attached to this notice.

Date: 12 July 2010  
Signed for and on behalf of AIC by:



Mark Smith

## **Bidder's Statement**

**This is an important document and requires your attention.  
If you are in any doubt about how to deal with this document, you  
should contact your broker, financial adviser or legal adviser.**

The Wallace Absolute Return Limited Directors have indicated  
that they will unanimously recommend that, subject to there being  
no superior proposal and an independent expert concluding the  
Offer is fair and reasonable you **ACCEPT** the

# **Cash Offer**

by

**Armidale Investment Company Pty Limited  
ACN 143 917 088**

for your shares in

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

for

**A\$0.059 a Share**

*Financial Adviser*

**SANDON CAPITAL**

*Legal Adviser*

**CORRS  
CHAMBERS  
WESTGARTH**  
lawyers

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### Key Dates

|                                                               |                |
|---------------------------------------------------------------|----------------|
| <b>Announcement Date</b>                                      | 4 June 2010    |
| <b>Date that this Bidder's Statement was lodged with ASIC</b> | 25 June 2010   |
| <b>Date of the Offer</b>                                      | 12 July 2010   |
| <b>Offer closes (unless extended or withdrawn)</b>            | 13 August 2010 |

### Key Contacts

|                                      |                                                                                                                               |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <b>Share Registrar for the Offer</b> | Link Market Services Limited                                                                                                  |
| <b>Postal Address</b>                | Link Market Services Limited<br>Wallace Absolute Return Limited<br>Takeover<br>Locked Bag A14<br>Sydney South NSW 1235        |
| <b>Delivery Address</b>              | Link Market Services Limited<br>Wallace Absolute Return Limited<br>Takeover<br>Level 12, 680 George Street<br>Sydney NSW 2000 |

### Important notice

This Bidder's Statement is given by Armidale Investment Company Pty Limited ACN 143 917 088 (AIC), to Wallace Absolute Return Limited ACN 100 854 788 (Wallace) under Part 6.5 of the

Corporations Act and sets out certain disclosures required by the Corporations Act, together with the terms of the Offer to acquire Your Shares.

This Bidder's Statement is dated 25 June 2010. It includes an Offer dated 12 July 2010 on the terms set out in this Bidder's Statement.

A copy of this Bidder's Statement was lodged with ASIC on 25 June 2010. Neither ASIC nor its officers take any responsibility for the content of this Bidder's Statement.

#### **Defined terms**

A number of defined terms are used in this Bidder's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in section 13 of this Bidder's Statement, words and phrases in this Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

#### **Investment decisions**

In preparing this Bidder's Statement, AIC has not taken into account the individual objectives, financial situation or particular needs of individual Wallace shareholders. Accordingly, before making a decision whether or not to accept the Offer, you should consider seeking independent financial and taxation advice.

#### **Disclaimer as to forward looking statements**

Some of the statements appearing in this Bidder's Statement are in the nature of forward looking statements, including statements of current intention (which include those in section 9 of this Bidder's Statement), statements of opinion and predictions as to possible future events.

You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. Forward looking statements and statements in the nature of forward looking statements are only predictions and are subject to inherent risks and uncertainties. Actual outcomes, events or results may differ materially from the outcomes, events or results expressed or implied in any forward looking statement and any statement in the nature of a forward looking statement in this Bidder's Statement. You are cautioned not to place undue reliance on any forward looking statement or any statement in the nature of a forward looking statement. The forward looking statements and statements in the nature of forward looking statements in this Bidder's Statement reflect views held only as at the date of this Bidder's Statement.

None of AIC, its financial adviser or persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any outcomes expressed or implied in any forward looking statement and any statement in the nature of a forward looking statement.

#### **Information on Wallace**

The information on Wallace securities contained in this Bidder's Statement has been prepared by AIC using publicly available information. None of the information in this Bidder's Statement concerning Wallace's business has been verified by Wallace or the Wallace Board or independently verified by AIC or its respective directors for the purposes of this Bidder's Statement. Accordingly, subject to the Corporations Act, AIC makes no representation, express or implied, as to the accuracy or completeness of this information.

The information on Wallace in this Bidder's Statement should not be considered comprehensive.

Further information relating to Wallace's business may be included in Wallace's target statement which Wallace must provide to its shareholders in response to this Bidder's Statement.

**Privacy**

AIC has collected your information from the Wallace register of shareholders for the purpose of making the Offer and, if accepted, administering your holding of Shares. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to AIC's related bodies corporate and external service providers, and may be required to be disclosed to regulators such as ASIC. The registered address of AIC is 180 Beardy Street, Armidale NSW 2350.

**How to accept**

Acceptances of the Offer must be received in sufficient time to be acted upon before the close of the Offer Period. To accept the Offer, you should follow the instructions set out in section 3 of this Bidder's Statement.

If you are in any doubt as to how to deal with this document, you should contact your broker or your legal, financial or other professional adviser.

## AIC's Director's Letter

25 June 2010

Dear Wallace Shareholder,

I have the pleasure of enclosing an Offer by Armidale Investment Company Pty Limited (**AIC**) to acquire all of Your Shares in Wallace Absolute Return Limited (**Wallace**).

The Offer is for 5.9 cents in cash a Share for all of the Shares, subject only to there being no Prescribed Occurrences.

### RECOMMENDATION FROM THE WALLACE DIRECTORS

Wallace has announced that the Wallace Directors will unanimously recommend the bid by AIC in the absence of a superior proposal and an independent expert concluding the Offer is fair and reasonable.

### BENEFITS OF AIC'S OFFER

AIC believes that the Offer provides shareholders with a number of significant benefits:

- an attractive Offer Price representing a:
  - 68.6% premium to the Rights Issue price<sup>1</sup>;
  - 68.6% premium to the last sale price of the Shares<sup>2</sup>;
  - 68.1% premium to the VWAP of the Shares on the ASX in the 1 month ending 31 May 2010;
  - 59.5% premium to the last reported NTA per share<sup>3</sup>; and
  - 49.4% premium to the last sale price of Shares prior to the announcement of the Rights Issue<sup>4</sup>.
- you will not incur any brokerage charges in accepting AIC's Offer;
- AIC's Offer extends to all or any of your holding; and
- the certainty of an all cash offer.

The Offer is scheduled to close at 7.00pm (Sydney time), 13 August 2010, unless extended. To accept the Offer, please follow the instructions set out in this Bidder's Statement and in the enclosed Acceptance Form.

I encourage you to carefully consider AIC's Offer, the information set out in this Bidder's Statement and Wallace's target statement before accepting the Offer.

Yours sincerely,

Mark Smith  
Director  
Armidale Investment Company Pty Limited

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<sup>1</sup> The Rights Issue announced by WAB on 4 May 2010. On 18 June 2010 Wallace agreed to cancel the Rights Issue, please refer to Wallace's ASX announcement of 21 June 2010 for further details.

<sup>2</sup> 3.5 cents per Share on 31 May 2010, which was the day before the AIC's initial approach was announced on ASX, being 1 June 2010.

<sup>3</sup> 3.7 cents per share reported by Wallace to ASX on 17 June 2010.

<sup>4</sup> The Rights Issue was announced on 5 May 2010. The last sale prior to that date was 3.95 cents a Share on 30 April 2010.

## 1 Features of the Offer

This summary provides an overview of the Offer and is qualified by the detailed information contained in this Bidder's Statement. You should read this Bidder's Statement in full before deciding whether or not to accept the Offer.

|                |                                                                                                                                                                                                                                 |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Offer price    | A\$0.059 cash a Share for all of the Shares.                                                                                                                                                                                    |
| Closing date   | The Offer closes at 7.00 pm (Sydney Time) on 13 August 2010, unless it is extended or withdrawn by AIC.                                                                                                                         |
| Payment timing | On or before 21 days after the later of receipt of your acceptance and the date on which the Offer becomes unconditional.                                                                                                       |
| Conditions     | <p>The Offer is subject only to no Prescribed Occurrences occurring between the Announcement Date and the end of the Offer Period.</p> <p>Full details the condition is set out in section 12.8 of this Bidder's Statement.</p> |

## 2 Why Wallace shareholders should ACCEPT the Offer

### 2.1 Summary

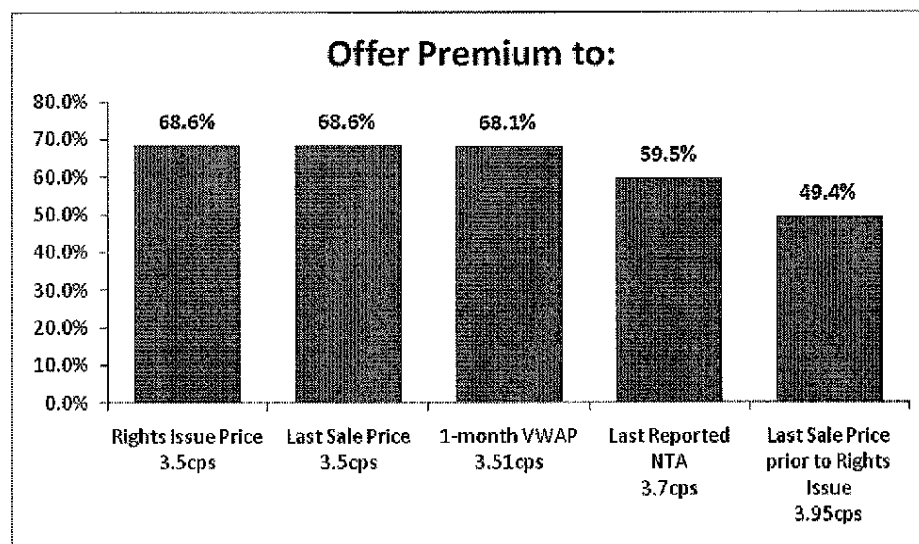
- The Wallace Directors have indicated that they will unanimously recommend the Offer subject to no superior proposal emerging and an independent expert concluding the Offer is fair and reasonable.
- Attractive Offer price
- Cash Offer
- No alternative offer
- Consequences of not accepting
- No brokerage costs

### 2.2 Recommendation by the Wallace Directors

The Wallace Directors have indicated that they unanimously recommend the Offer in the absence of a superior proposal and an independent expert concluding the Offer is fair and reasonable.

### 2.3 Attractive Offer price

The Offer of A\$0.059 cash a Share represents an attractive premium to a range of Wallace trading prices prior to the Announcement Date. The graph below illustrates the premium reflected in the Offer<sup>5</sup>:



Having regard to the uncertainties for the future prospects of Wallace, AIC believes that the Offer represents full and fair value for the Shares:

- 68.6% premium to the Rights Issue price<sup>6</sup>;
- 68.6% premium to the last sale price of Shares prior to the initial approach by AIC<sup>7</sup>;

<sup>5</sup> Calculated using issue price of new shares detailed in the prospectus dated 24 May 2010.

<sup>6</sup> The Rights Issue announced by WAB on 4 May 2010. On 18 June 2010 Wallace agreed to cancel the Rights Issue, please refer to Wallace's ASX announcement of 21 June 2010 for further details.

<sup>7</sup> 3.5 cents per Share on 31 May 2010, which was the day before the AIC's initial approach was announced on ASX, being 1 June 2010.

- 68.1% premium to the VWAP of the Shares on the ASX in the 1 month ending 31 May 2010;
- 59.5% premium to the last reported NTA per share<sup>8</sup>; and
- 49.4% premium to the last sale price of Shares prior to the announcement of the Rights Issue<sup>9</sup>.

## 2.4 Cash Offer

The Offer provides you with 100% cash consideration for Your Shares at a substantial premium to recent trading levels. By accepting the Offer, you will receive A\$0.059 cash for each Share (subject to the condition of the Offer being satisfied or waived).

## 2.5 No alternative offer

Since AIC's proposal was first announced on 4 June 2010, no alternative offers have emerged.

## 2.6 Consequences of not accepting

If you choose not to accept the Offer, there are certain risks, including:

- Wallace's share price may decline if AIC's Offer does not proceed.
- You will remain exposed to the risks associated with an investment in Wallace, including the matters set out below.

### (a) Investment risk

All investing involves risks. These risks include the possibility that the value of your investment will fall, or that it will fail to pay dividends or that dividends may not keep pace with inflation.

If Wallace's investments fail to deliver an adequate return, then it is likely its NTA and Share price will decline.

### (b) Share price risk

Whilst the prices at which listed investment companies (LICs) trade is primarily determined by market forces (like all shares), investors commonly have regard to the value of an LIC's investments or NTA when determining whether to invest in an LIC.<sup>10</sup>

In the absence of the Offer, or if the Offer fails to achieve 100% acceptances, there is a risk the market price of the Shares will trade below the Offer Price. This is because the Offer is made at a significant premium to the last reported NTA, specifically a 59.5% premium to the last reported NTA of Wallace.

Further, if Wallace continues to be listed after the Offer closes, there is a significant risk the Shares will trade at a discount to the then prevailing NTA.

<sup>8</sup> 3.7 cents per share reported by Wallace to ASX on 17 June 2010.

<sup>9</sup> The Rights Issue was announced on 5 May 2010. The last sale prior to that date was 3.95 cents per share on 30 April 2010.

<sup>10</sup> The future NTA of WAB will be determined by a number of factors including the value of its investment portfolio, the reported value of its unlisted assets and the expenses it incurs in day to day operations.

**(c) HAL risks**

AIC intends to review its business operations of HAL to determine what steps should be taken to stabilise it and maximise its value to Wallace shareholders. However, AIC is not aware of HAL's current financial and operational position other than as described by Wallace in its public ASX announcements. Any intention to review the business operations of HAL will require the cooperation of HAL and its management, which AIC cannot be certain will occur, or if so, to what extent HAL will be co-operative. There is no guarantee any attempts to restore value will succeed.

AIC understands that Wallace's investment in HAL is subordinate to a number of senior ranking secured creditors. In the event of the administration, restructuring or liquidation of the HAL business, the claims of senior ranking creditors will rank ahead of Wallace's interests. There is a risk Wallace could recover nothing from its investments in HAL in the event of external administration.

**(d) Regulatory risk**

Wallace currently holds an Australian Financial Services Licence (AFSL No 221 282). In order to maintain this licence, Wallace must comply with a number of licence conditions and the Corporations Act. A failure to comply with these conditions or the law could result in penalties being levied on Wallace or affect its abilities to conduct its business.

**(e) Little prospect of dividends**

There is little prospect that Wallace will be in a position to pay dividends having regard to its current size, level of accumulated losses and the uncertainty as to the future direction of the Company.

**(f) Further capital requirements**

There can be no assurance that further financing will not be required in the future. Prevailing market conditions at the time any additional financing is sought will impact the terms under which Wallace is able to raise funds. Further, no assurance can be given that such funding will be on terms acceptable to Wallace or available at all. Any additional equity capital raisings may dilute shareholdings.

**(g) Litigation risk**

Wallace is currently pursuing legal claims against its former Managing Director, Richard Wallace and former fund manager, Wallace Funds Management Pty Ltd. If the Offer succeeds, AIC's proposed directors intend to review the prospects of these claims. If Wallace was to lose or withdraw from the litigation, then it may also be liable to pay the legal costs of the parties to the proceedings in addition to its own legal costs.

Even if Wallace succeeds, there may be no third party assets from which damages or costs can be recovered.

**(h) Minority shareholding**

You will remain exposed to the risks associated with remaining a minority shareholder (see section 9.4 of this Bidder's Statement for details of AIC's intentions if it acquires interests in less than 90% of the Shares).

**2.7 No brokerage will be payable**

If Your Shares are registered on an Issuer Sponsored Holding in your name and you deliver them directly to AIC, you will not incur any brokerage fees in connection with your acceptance of the Offer.

You may incur brokerage costs if you choose to sell Your Shares on market or if you instruct your Broker to accept the Offer on your behalf. See section 4 of this Bidder's Statement for more information regarding payment of brokerage fees.

### 3 How to accept the Offer

You may accept the Offer for all or any of Your Shares.

How to accept the Offer will depend on whether you hold Your Shares in an Issuer Sponsored Holding or a CHESS Holding.

#### Issuer sponsored shareholders

If there is an "I" appearing next to your holder number on the enclosed Acceptance Form, then Your Shares are in an Issuer Sponsored Holding.

To accept the Offer, you must complete and sign the Acceptance Form enclosed with this Bidder's Statement and return it to the address indicated on the form before the Offer closes.

#### CHESS sponsored shareholders

If there is an "X" appearing next to your holder number on the enclosed Acceptance Form, then Your Shares are in a CHESS Holding.

To accept the Offer, you may either:

- complete and sign the Acceptance Form enclosed with this Bidder's Statement and return it to the address indicated on the form; or
- call your broker and instruct your broker to accept the Offer on your behalf,

before the Offer closes.

Full details on how to accept the Offer are set out in section 12.3 of this Bidder's Statement.

#### 4 Frequently asked questions in relation to the Offer

The table below answers some key questions that you may have about the Offer and is qualified by and should be read in conjunction with the detailed information contained in this Bidder's Statement.

| Questions                                          | Answers                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>What is the Offer?</b>                          | The Offer is A\$0.059 cash a Share for all of Your Shares.                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>What is this Bidder's Statement?</b>            | <p>This Bidder's Statement was prepared by AIC for distribution to Wallace shareholders. It sets out the terms of the Offer for Your Shares and information relevant to your decision whether or not to accept the Offer.</p> <p>This Bidder's Statement is an important document. If you are in any doubt as to how to deal with this document, you should consult your broker or your legal, financial or other professional adviser as soon as possible.</p> |
| <b>How do I accept the Offer?</b>                  | To accept the Offer for all, or any of your Shares, you should follow the instructions set out in section 3 of this Bidder's Statement (immediately before these frequently asked questions) and on the enclosed Acceptance Form.                                                                                                                                                                                                                               |
| <b>If I accept the Offer, when will I be paid?</b> | If you accept the Offer, AIC will pay you the consideration to which you are entitled on or before 21 days after the later of receipt of your acceptance and the date on which the Offer becomes unconditional.                                                                                                                                                                                                                                                 |

| Questions                                                                       | Answers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Will I need to pay brokerage or stamp duty if I accept the Offer?</b></p> | <p>If Your Shares are registered in an Issuer Sponsored Holding (your SRN starts with an "I") in your name and you deliver them directly to AIC, you will not incur any brokerage fees or be obliged to pay stamp duty in connection with your acceptance of the Offer.</p> <p>If Your Shares are registered in a CHESS Holding (your HIN starts with an "X"), or if you are a beneficial owner whose Shares are registered in the name of a broker, bank, custodian or other nominee, you will not be obliged to pay stamp duty by accepting the Offer but you should ask your 'Controlling Participant' (usually your broker) or nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.</p> <p>You may incur brokerage costs if you choose to sell Your Shares on ASX.</p>                                                                                                                                                                       |
| <p><b>What are the tax implications of acceptance?</b></p>                      | <p>A general summary of the likely Australian tax consequences of accepting the Offer is set out in section 10 of this Bidder's Statement. AIC recommends that you seek independent professional advice in relation to your own particular circumstances.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p><b>Can I accept the Offer for part of my holding?</b></p>                    | <p>Yes. You must however specify the number of Shares for which you wish to accept in the Acceptance Form.</p> <p>If you do not specify a number of Shares or you specify a number greater than your holding on your Acceptance Form, you will be taken to have accepted the Offer for all of Your Shares.</p> <p>If accepting the Offer would leave you with less than a Marketable Parcel of Shares you will be taken to have accepted for (and will receive consideration for) all of Your Shares.</p> <p>You may accept this Offer at any time during the Offer Period. You may accept the Offer for all or any of Your Shares.</p> <p>If you hold one or more parcels of Shares as trustee or nominee, you may accept the Offer as if a separate offer had been made in relation to each of those parcels and any parcel you hold in your own right. A person holding Shares on trust for, as nominee for, or on account of, another person should refer to section 12.1(g) of this Bidder's Statement.</p> |

| Questions                                                                                   | Answers                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>When does the Offer close?</b>                                                           | The Offer is currently scheduled to close at 7.00 pm (Sydney time) on 13 August 2010 unless extended or withdrawn.                                                                                                                                                                                                                                                                                                                                              |
| <b>Can AIC extend the Offer Period?</b>                                                     | Yes, the Offer Period can be extended at the election of AIC. Wallace shareholders will be sent written notice of any extension and the extension will be announced to ASX.                                                                                                                                                                                                                                                                                     |
| <b>Can I withdraw my acceptance?</b>                                                        | Under the terms of the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a withdrawal right will arise if, after you have accepted the Offer, the bid remains conditional and AIC varies the Offer in a way that postpones, for more than one month, the time when AIC has to meet its obligations under the Offer.                                                                                  |
| <b>Can I sell my Shares on market?</b>                                                      | Yes, but you may incur brokerage costs if you do. However if you have already accepted the Offer, you will no longer be able to sell Your Shares, unless you are entitled to withdraw your acceptance and you have exercised this right.                                                                                                                                                                                                                        |
| <b>Can I continue to exercise rights in respect of my Shares after accepting the Offer?</b> | <p>Once the condition to the Offer has been freed (see section 12.8), you will have irrevocably appointed AIC as your agent and attorney to exercise your powers and rights in relation to Your Shares, including the right to vote on those Shares.</p> <p>You also agree not to attend or purport to exercise votes in respect of Your Shares in general meetings from that point onward, see sections 12.5(b)(viii) and 12.5(b)(ix) for further details.</p> |
| <b>Who is AIC?</b>                                                                          | <p>AIC is an Australian proprietary company wholly owned by Mark Smith<sup>11</sup>.</p> <p>Please refer to section 5 of this Bidder's Statement for further information on AIC.</p>                                                                                                                                                                                                                                                                            |
| <b>Are there any conditions to the Offer?</b>                                               | <p>Yes, the Offer is subject to a condition, which is set out in section 12.8 of this Bidder's Statement.</p> <p>AIC may choose to waive the condition in accordance with the terms of the Offer set out in section 12 of this Bidder's Statement. Details as to how this condition can be waived are set out in section 12.10 of this Bidder's Statement.</p>                                                                                                  |

<sup>11</sup> AIC holds 3,314,751 or 3.9% of the Shares, Presmore ATF Smith Miller Family Trust holds 9,842,374 Shares or 11.7% of Wallace and Sandon Capital holds 372,810 Shares or 0.4% of Wallace.

| Questions                                                                                                                     | Answers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>What happens if I do not accept the Offer and AIC and its associates achieve a relevant interest in 90% of the Shares?</b> | <p>If you do not accept the Offer and AIC and its associates acquire a relevant interest in at least 90% of the Shares and the Offer becomes unconditional, AIC may move to compulsorily acquire all remaining Shares. AIC has no present intention to compulsorily acquire Your Shares if it and its associates gain a relevant interest of more than 90%.</p> <p>This intention is subject to Wallace continuing to meet the requirements of the ASX listing rules. If AIC and its associates achieve a relevant interest of more than 90% and Wallace no longer meets the requirements of the ASX Listing Rules, AIC may compulsorily acquire Your Shares. If this occurs, you will be paid the Offer consideration at the conclusion of the compulsory acquisition process. In these circumstances, you would have received the Offer consideration sooner if you had accepted the Offer prior to its close.</p> <p>Wallace's intentions may be affected by the rights of remaining holders of the Shares under the Corporations Act. If AIC decides not to proceed with compulsory acquisition it may still need to offer to buy Your Shares under section 662A of the Corporations Act.</p> |

## **5 Information on AIC**

### **5.1 Corporate Information**

AIC is an Australian proprietary company incorporated in NSW. AIC has share capital of \$100. The sole shareholder and director of AIC is Mark Smith.

### **5.2 Overview of AIC's principal activities**

AIC's principal activity is to acquire shares of Wallace.

AIC was incorporated on 27 May 2010 and has no trading history.

Presmore (with which AIC is associated) has agreed to loan through its subsidiary New England Investment Company Pty Limited \$4.5 million to AIC to fund the Offer consideration.

### **5.3 Relationship with Presmore**

As set out in section 5.1 AIC is wholly owned by Mark Smith. Mark Smith is also the sole director of Presmore. Presmore is the trustee of the Smith Miller Family Trust. Presmore as trustee for the Smith Miller Family Trust currently holds 9,842,374 Shares and 11.7% voting power in Wallace. AIC and Presmore are associates for the purposes of section 12(2)(a)(iii) of the Corporations Act.<sup>12</sup>

Presmore as trustee for the Smith Miller Family Trust is the sole shareholder in New England Investment Company Pty Limited. Mark Smith is the sole director of New England Investment Company Pty Ltd.

### **5.4 Mark Smith**

Mark Smith is an individual investor from country NSW. Please refer to section 9.3(b)(i) for further details about Mark Smith.

He is the sole director and shareholder of AIC, Presmore and New England Investment Company Pty Limited.

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<sup>12</sup> They are also associates with Sandon Capital which holds 372,810 Shares or 0.4% of Wallace.

## **6 Information on Wallace**

### **6.1 Overview of Wallace and its principal activities**

The Company was listed on the Australian Securities Exchange ("ASX") on 28 January 2003. According to the original prospectus issued by Wallace on 29 October 2002, Wallace was established with the objective of providing investors with consistent positive returns in both rising and falling markets within stated risk parameters<sup>13</sup>.

### **6.2 Publicly available information about Wallace**

The ASX website lists all public announcements issued by Wallace. These documents are available in electronic form from [www.asx.com.au](http://www.asx.com.au)

In addition, Wallace is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Wallace may be obtained from ASIC (via third party information vendors for a fee).

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<sup>13</sup> Wallace prospectus dated 29 October 2002, page 5.

## 7 Information on Wallace's securities

### 7.1 Wallace's issued securities

According to documents provided by Wallace to the ASX, as at the date of this Bidder's Statement, Wallace's issued securities consisted of 84,455,052 Shares.

### 7.2 Interests in Wallace's securities

As at the date of this Bidder's Statement:

- AIC's voting power in Wallace was 15.1%; and
- AIC and its associates<sup>14</sup> had a relevant interest in 12,763,578 Shares.

AIC acquired its interest in Wallace in between October 2009 and March 2010.

As at the date of the Offer:

- AIC's voting power in Wallace was 16.0%; and
- AIC and its associates<sup>15</sup> had a relevant interest in 13,529,935 Shares.

### 7.3 Dealings in Shares

#### (a) Previous four months

None of AIC or, any associate of these companies has provided, or agreed to provide, consideration for Shares under any purchase or agreement during the four months before the date of this Bidder's Statement, except as disclosed below.

| Holder of Relevant Interest                                   | Date of Dealing                       | Description of Dealing |
|---------------------------------------------------------------|---------------------------------------|------------------------|
| AIC                                                           | 21 to 24 June 2010                    | On-market purchases    |
| Presmore Pty Ltd as Trustee for the Smith Miller Family Trust | Between 26 February and 18 March 2010 | On-market purchases    |
| Sandon Capital                                                | 18 March 2010                         | On-market purchases    |

#### (b) Period before Offer

None of AIC, or any associate of these companies has provided, or agreed to provide, consideration for Shares under any purchase or agreement during the period starting on the date of this Bidder's Statement and ending on the date immediately before the date of the Offer, except as described below:

| Holder of Relevant Interest | Date of Dealing    | Description of Dealing |
|-----------------------------|--------------------|------------------------|
| AIC                         | 25 to 29 June 2010 | On-market purchases    |

### 7.4 Recent share price performance of Wallace

The closing share price of the Shares on the ASX on 3 June 2010, being the last full day of trading before the Announcement Date, was A\$0.033.

<sup>14</sup> AIC's associates include Presmore and Sandon Capital. AIC holds 2,548,394 Shares or 3.0% of Wallace, Presmore ATF Smith Miller Family Trust holds 9,842,374 Shares or 11.7% of Wallace and Sandon Capital holds 372,810 Shares or 0.4% of Wallace.

<sup>15</sup> AIC's associates include Presmore and Sandon Capital. AIC holds 3,314,751 Shares or 3.9% of Wallace, Presmore ATF Smith Miller Family Trust holds 9,842,374 Shares or 11.7% of Wallace and Sandon Capital holds 372,810 Shares or 0.4% of Wallace.

The closing share price of the Shares on the ASX on 24 June 2010, being the last full day of trading before the date on which this Bidder's Statement was lodged with ASIC, was A\$0.059.

## **7.5 No pre-Offer benefits**

During the period of four months before the date of this Bidder's Statement, none of AIC, or any associate of it has given, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- accept the Offer; or
- dispose of Shares,

and which is not offered to all holders of the Shares under the Offer.

During the period from the date of this Bidder's Statement to the date immediately before the date of the Offer, none of AIC, or any associate of it has given, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- accept the Offer; or
- dispose of Shares,

and which is not offered to all holders of Shares under the Offer.

## **7.6 No escalation agreements**

None of AIC, or any associate of it has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

## **8 Funding**

### **8.1 Total cash consideration**

The Offer is a 100% cash offer.

The maximum amount of cash that AIC would be required to pay under the Offer if acceptances are received in respect of all the Shares on Issue (other than those Shares in which AIC and its associates already have a relevant interest) as at the date of this Bidder's Statement is approximately A\$4.5 million.

### **8.2 AIC and New England Investment Company loan arrangement**

New England Investment Company Pty Limited has unconditionally agreed to provide a loan of \$4.5 million to AIC to fund its acquisition of Wallace. New England Investment Company Pty Limited is wholly owned by Presmore. Its sole director is Mark Smith. Presmore has unconditionally agreed to loan \$4.5 million to New England Investment Company Pty Limited.

### **8.3 Particulars of cash reserves**

Presmore currently has \$4.5 million on deposit in its name. These funds are available for immediate distribution to New England Investment Company Pty Limited and AIC.

## **9 AIC's intentions in relation to Wallace**

### **9.1 Introduction**

This section 9 sets out AIC's intentions in relation to the following:

- the continuation of the business of Wallace;
- any major changes to the business of Wallace and any redeployment of the fixed assets of Wallace; and
- the future employment of the present employees of Wallace.

### **9.2 Review**

The intentions set out in this section 9 have been formed on the basis of facts and information concerning Wallace and the general business environment known to AIC and prevailing market conditions at the time of preparing this Bidder's Statement.

AIC and its advisers have reviewed information that is publicly available concerning Wallace and its current business, operations and assets and plans for the future.

At the conclusion of the Offer Period AIC will, to the extent to which it is able, conduct a review of Wallace and its operations, assets, liabilities, structure and employees following which, it will as required, review its intentions as set out in this section.

Final decisions will only be reached by AIC after that review and in light of circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intention only and may change as new information becomes available or circumstances change.

### **9.3 Intentions if AIC and its associates acquire a relevant interest in 90% or more of the Shares**

This section 9.3 sets out AIC's current intentions if at the end of the Offer Period it and its associates have relevant interests in 90% or more of the Shares and is entitled to proceed to compulsory acquisition of the outstanding Shares.

#### **(a) Compulsory acquisition**

AIC does not intend to proceed with compulsory acquisition, even if it becomes entitled to do so under the Corporations Act. AIC's current intention is subject to Wallace continuing to meet the minimum listing criteria set by the ASX Listing Rules for Wallace to remain listed on the ASX. If Wallace ceases to comply with the ASX Listing Rules, AIC reserves the right to proceed with compulsory acquisition in accordance with the Corporations Act.

Wallace's intentions may be affected by the rights of remaining holders of the Shares under the Corporations Act. If AIC decides not to proceed with compulsory acquisition it may still need to offer to buy Your Shares under section 662A of the Corporations Act.

#### **(b) Directors**

AIC intends to appoint four new directors to the Wallace Board and to request that the three existing directors retire. The four new directors AIC intends to propose are:

##### **(i) Mark Smith**

Mark lives in Armidale in country New South Wales. He has been a long term investor for many years. He has also established a number of successful

small businesses in the New England region of New South Wales. Mark believes in the rights of individual investors.

Mark is also a part time owner-builder, farmer and apiarist.

Mark holds a BOptom.

**(ii) Paul Nicolaou**

Paul is Executive Chairman of the Millennium Forum of the Liberal Party of Australia, NSW division, a director of Roses Only (a leading online flower distributor), a director of Solutions R Us (a private consultancy company in the area of marketing, fundraising, media, public relations and event management), NSW President and Associate Fellow & Certified Practising Marketer of the Australian Marketing Institute, Fellow of the Fundraising Institute of Australia, and a benefactor of the Children's Hospital Westmead. Paul is well-respected throughout both community and business circles.

Paul holds a BA and MCom (UNSW).

**(iii) Mark Schilliro**

Mark commenced his professional career in financial services with KPMG in 1982, where he gained over sixteen years experience in the audit division. Mark has over twenty years experience as an Associate Chartered Accountant (ACA), and completed his Bachelor of Commerce majoring in Accounting, Finance and Systems from the University of New South Wales. Mark is a member of the Institute of Chartered Accountants, a registered tax agent, a registered company auditor and has recent experience of being the auditor of eight listed companies.

Mark's experience includes audit, tax, accounting and advisory services as well as experience in company formation, company law, and the establishment and advice on accounting systems and controls.

Mark was formerly a Partner in the chartered accountancy firm Grosvenor Schilliro, and is currently a Partner of the auditing firm MNSA, a director of the registered auditing firm MNSA Pty Limited, and a director of the chartered accountancy firm Mark Schilliro and Associates (MNSA) Pty Limited.

Mark holds a BCom (UNSW) and is a member of the Institute of Chartered Accountants of Australia.

**(iv) Gabriel Radzynski**

Gabriel is Managing Director of Sandon Capital Pty Limited, a boutique investment management and advisory firm. He has advised a number of shareholders in listed companies on engaging with boards and management and is portfolio manager of the Sandon Capital Activist Fund.

Prior to his role at Sandon Capital he was Head of Private Capital at Centric Wealth, a leading high-end wealth advisory firm. He has more than 10 years of investment experience, including managing investments across a number of asset classes.

Gabriel has been a director of the following unlisted public companies: Centric Wealth Limited and Residential-Plus Growth Company Limited.

Gabriel holds a BA(Hons) and MCom, both from UNSW.

**(c) ASX listing**

AIC intends to retain the listing of Wallace on the ASX, subject to satisfying the ongoing requirements under the ASX Listing Rules (including that there being a sufficient number and spread of Wallace shareholders). Under the ASX Listing Rules a listed company must maintain a spread of holdings which, in the ASX's opinion, is sufficient to ensure that there is an orderly and liquid market in its securities. ASX may suspend and eventually de-list a company which does not meet its spread requirements. It is possible that, depending upon the level of acceptances under the Offer, ASX may delist Wallace on this basis.

If Wallace continues to be listed, the liquidity of the Shares may be materially diminished given the reduced free float of the Shares. As a result, certain institutional investors may cease to hold the Shares as part of their investment portfolios, which may also have a negative impact on the price of the Shares. Accordingly, the market for the Shares may become significantly less liquid or active.

**(d) Head office**

AIC intends to relocate Wallace's registered office to more cost effective premises.

**(e) Name change**

AIC intends to seek shareholder approval to change the name of Wallace. No decision has been made as to what the new name will be.

**(f) Dividends**

AIC, through its nominees on the Wallace Board, is likely to propose that Wallace review its dividend policy to ensure that the policy reflects a balance between ensuring free cash flow is distributed to Wallace shareholders and ensuring adequate capital is maintained in the business to facilitate its ongoing activities.

**(g) Operations**

AIC intends to undertake a review of all Wallace's investments, including HAL. In respect of HAL, AIC will seek to engage consultant experts who have experience in businesses similar to those of HAL to provide an operational review of HAL and to assist the new directors of Wallace in forming a view as to how best to deal with the HAL investments.

Subject to the results of the review, AIC has no present intention to sell any specific part of the business or assets of Wallace or to downsize any specific part of the business.

**(h) Employees**

AIC intends to terminate the employment of Mr Michael Birch as managing director and company secretary of Wallace following completion of the Offer.

**(i) Limitations in giving effect to intentions**

The ability of AIC to implement the intentions set out in this section 9.3 will be subject to the legal obligation of Wallace directors to have regard to the interests of Wallace and all Wallace shareholders and the requirements of the Corporations Act and the ASX Listing

Rules relating to transactions between related parties. These may limit or modify the implementation of the intentions outlined above.

Also, as a result of those requirements, the approval of minority Wallace shareholders may be required for the implementation of some of the intentions outlined above.

#### **9.4 Intentions if AIC and its associates acquire a relevant interest in less than 90% of the Shares**

This section 9.4 sets out AIC's current intentions if AIC and its associates have a relevant interest in less than 90% of the Shares.

##### **(a) Active major shareholder**

AIC intends to become more actively involved in determining Wallace's dividend and capital management policies and controlling the strategic direction of the business of Wallace.

If AIC receives acceptances under the Offer that bring its shareholding to more than 75% of the Shares, it will be in a position to cast the votes required for a "special resolution" at a meeting of Wallace members. This would enable it to pass special resolutions, for example, to amend Wallace's constitution.

##### **(b) Directors**

AIC intends to propose up to four new directors for the Wallace Board and to request that the three existing directors retire. These directors' details are set out in section 9.3(b).

The identity of a nominee director (or directors) has not yet finally been determined by AIC, but AIC nominees will be selected to bring technical and managerial expertise to the Wallace Board and will most likely include those persons described in section 9.3(b).

All AIC nominees will ensure that they comply with their fiduciary duties and obligations as directors, in particular in dealing with potential conflicts of interest.

##### **(c) ASX listing**

AIC would support retaining the listing of Wallace on the ASX, subject to satisfying the ongoing requirements under the ASX Listing Rules (including there being a sufficient spread of Wallace shareholders), as discussed in section 9.3(c).

##### **(d) Operations, assets and employees**

AIC will seek to procure that Wallace's new board of directors implement the strategies and goals outlined in section 9.3 of this Bidder's Statement to the extent possible and appropriate in the circumstances.

##### **(e) Dividends**

AIC, through its nominees on the Wallace Board, is likely to propose that Wallace review its dividend policy to ensure that the policy reflects a balance between ensuring free cash flow is distributed to Wallace shareholders and ensuring adequate capital is maintained in the business to facilitate its ongoing activities.

##### **(f) Limitations in giving effect to intentions**

The ability of AIC to implement the Intentions set out in this section 9.4 will be subject to the limitations set out in section 9.3(i).

## **9.5 Intentions if AIC and its associates acquire a relevant interest in more than 50% but less than 90% of the Shares**

This section 9.5 sets out AIC's intentions if AIC and its associates have a relevant interest in more than 50% but less than 90% of the Shares.

### **(a) Directors**

AIC intends to propose up to four new directors for the Wallace Board and to request that the three existing directors retire.

The identity of a nominee director (or directors) has not yet finally been determined by AIC, but AIC nominees will be selected to bring technical and managerial expertise to the Wallace Board and will most likely include one or more of persons described in section 9.3(b). All AIC nominees will ensure that they comply with their fiduciary duties and obligations as directors, in particular in dealing with potential conflicts of interest.

### **(b) ASX listing**

AIC would support retaining the listing of Wallace on the ASX, subject to satisfying the ongoing requirements under the ASX Listing Rules (including there being a sufficient spread of Wallace shareholders), as discussed in 9.3(c).

### **(c) Operations, assets and employees**

If, following the close of the Offer, Wallace becomes a controlled entity but not a wholly owned subsidiary of AIC, it is the present intention of AIC to attempt to procure that the Wallace Board implements the objectives and goals outlined in section 9.3 to the extent possible and appropriate, having regard to the interests of all Wallace shareholders.

### **(d) Dividends**

It is AIC's current intention to seek to preserve Wallace's present policy of not declaring dividends prior to the establishment of a long term profit stream which is capable of supporting both capital expenditure and dividend distribution.

### **(f) Limitations in giving effect to intentions**

AIC's intentions in relation to Wallace's operations, assets and employees and dividend policy will be the same as set out in section 9.3 above. However AIC's ability to implement these intentions will be subject to the limitations set out in section 9.3(i).

## **9.6 Intentions if AIC and its associates acquire a relevant interest in less than 50% of the Shares**

This section 9.6 sets out AIC's intentions if AIC and its associates have a relevant interest in less than 50% of the Shares.

### **(a) Directors and corporate matters**

AIC intends to propose up to four new directors for the Wallace Board and to request that the three existing directors retire.

Any AIC nominees will be selected to bring technical and managerial expertise to the Wallace Board and will most likely include those persons described in section 9.3(b). All AIC nominees will ensure that they comply with their fiduciary duties and obligations as directors, in particular in dealing with potential conflicts of interest.

There is no guarantee that AIC will be granted the representation on the Wallace Board that it intends to seek.

**(b) Proposed operations, assets and employees and dividends**

AIC's intentions in relation to Wallace's operations, assets and employees and dividend policy will be the same as set out in section 9.3 above. However AIC's ability to implement these intentions will be subject to the limitations set out in sections 9.4(f) and 9.6(c).

**(c) Limitations in giving effect to intentions**

In addition to the limitations set out in section 9.3(i), AIC's ability to implement its intentions will be limited by its ability to influence the decisions of Wallace in its capacity as a minority shareholder of Wallace and through its representation (if any) on the Wallace Board.

## **9.7 Intentions generally**

Subject to the above, AIC intends, on the basis of the facts and information concerning Wallace which are known to it:

- to continue the business of Wallace; and
- not to make any major changes to the business of Wallace or the deployment of Wallace's assets.

## **10 Taxation considerations**

### **10.1 Introduction**

The following is an outline of the principal Australian income tax consequences generally applicable to a Wallace shareholder who disposes of Shares by accepting the Offer. The comments set out below are also relevant to those Wallace shareholders who do not accept the Offer if AIC proceeds to compulsorily acquire their Shares following AIC and its associates having a relevant interest in at least 90% of Shares on issue at any time during the Offer Period.

This outline reflects the current provisions of the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth) and the regulations made under those acts, taking into account AIC's understanding of the current administrative practices of the Australian Taxation Office (ATO). The outline does not otherwise take into account or anticipate changes in the law, whether by way of judicial decision or legislative action, nor does it take into account tax legislation of countries apart from Australia.

The following outline is not exhaustive of all possible Australian income tax considerations that could apply to particular Wallace shareholders. In particular, the summary is only relevant to those Wallace shareholders who hold their shares as capital assets for the purposes of investment and does not address all tax considerations applicable to Wallace shareholders that may be subject to special tax rules, such as banks, insurance companies, tax exempt organisations, superannuation funds, dealers in securities or Wallace shareholders who acquired their Shares as part of an employee share scheme operated by Wallace (if any). For Wallace shareholders who are non-residents of Australia for tax purposes, it is assumed that the Shares are not held and have never been held as an asset of a permanent establishment of that Wallace shareholder in Australia.

This outline does not constitute tax advice. It is recommended that each Wallace shareholder consult their own tax adviser regarding the consequences of acquiring, holding or disposing of their Shares in light of current tax laws and their particular circumstances.

## **10.2 Taxation on the disposal of Shares**

If you accept the Offer, you will be treated as having disposed of Your Shares for tax purposes.

## **10.3 Australian resident Wallace shareholders**

Unless you were taken to acquire Your Shares on or before 19 September 1985, the following consequences will apply to you.

You would realise a capital gain on a Share to the extent that the amount you receive (or that you will receive) for the disposal of that Share is more than the cost base of that Share. You should realise a capital loss on a Share to the extent that the amount you receive (or that you will receive) for the disposal of that Share is less than the reduced cost base of that Share. Capital losses can usually only be offset against capital gains you realise in the same income year or in later income years.

Broadly, the cost base of a Share is the total of the amount you paid for the Share and your acquisition and disposal costs in respect of that Share. However, there are circumstances where this may not be the case and we recommend that you speak to your tax adviser to confirm the cost base of Your Shares. The reduced cost base of a Share is usually determined in a similar, but not identical, manner.

Any net capital gain in respect of an income year would be included in your assessable income for that income year. Broadly, your net capital gain in respect of an income year would be calculated by aggregating all of your capital gains realised in respect of that income year and reducing that amount by your capital losses realised in that income year and any net capital losses from prior years that can be utilised. That amount may be further reduced by other concessions, particularly under the discount CGT rules.

Wallace shareholders who are individuals, trusts or complying superannuation funds may be eligible for discount capital gains treatment in respect of a Share if they have held that Share for more than 12 months at the time they are taken to have disposed of their Share. Companies are not eligible for discount capital gains treatment.

The above comments do not apply to you if you buy and sell shares in the course of a business, or if you acquired the Shares for resale at a profit. In those cases, any gain will generally be taxed as ordinary income. You should seek your own advice.

Wallace shareholders should seek their own advice as to the tax consequences of disposing of their Shares, in particular as to the availability of the discount capital gains tax concession.

## **10.4 Non-resident Wallace shareholders**

If you are not a resident of Australia for tax purposes, you will generally not have to pay Australian tax on any capital gain when you dispose of Your Shares if you do not hold a "non-portfolio interest" in Wallace.

You will hold a "non-portfolio interest" in Wallace if you (together with your associates) own, or owned, throughout a 12 month period during the 2 years preceding the sale of Your Shares, 10% or more of (broadly) all of the shares in Wallace.

If you hold a "non-portfolio interest" in Wallace, you should contact your taxation adviser to determine any impact of you accepting the Offer.

If you buy and sell shares in the course of a business, or acquired the Shares for resale at a profit, any gain could be taxed in Australia as ordinary income and not as a capital gain (subject to any relief under a double tax treaty that Australia has concluded with your country of residence). Again, you should seek your own advice.

You should seek advice from your taxation adviser as to the taxation implications of accepting the Offer in your country of residence.

#### **10.5 Stamp duty**

Any stamp duty payable on the transfer of Shares to AIC pursuant to the Offer will be paid by AIC.

## 11 Other material information

### 11.1 Date for determining holders of Shares

For the purposes of section 633 of the Corporations Act, the date for determining the persons to whom information is to be sent under items 6 and 12 of subsection 633(1) is the Register Date.

### 11.2 On-market acquisitions

AIC may acquire Shares on-market at prices up to the Offer Price during normal trading on the ASX.

Wallace shareholders who sell their Shares on the ASX will receive payment on a T+3 basis (being three Trading Days after the date of the transaction).

Wallace shareholders who sell their Shares on the ASX cannot subsequently accept the Offer in respect of Shares sold on the ASX. Additionally, Wallace shareholders who sell their Shares on the ASX may incur brokerage charges which they would not incur if they accepted the Offer.

### 11.3 Broker handling fee

Subject to the terms below, if the Offer becomes or is declared unconditional, AIC will pay a broker handling fee (**Broker Fee**) to market participants of the ASX (**Brokers**) who initiate valid acceptances (**Acceptances**) of the Offer in respect of parcels of Shares held by retail shareholders of Wallace. A retail shareholder of Wallace is a shareholder who is not a Broker or an associate of a Broker and who holds fewer than 100,000 Shares as at the date of the Acceptance.

The Broker Fee will be 0.75% of the consideration payable by AIC under the Offer as a result of the Acceptance, subject to a maximum Broker Fee of A\$750 payable in respect of any Acceptance. AIC also proposes to pay a minimum fee of A\$50 for each Acceptance. AIC reserves the right to aggregate any Acceptances in determining the Broker Fees payable to any Broker if AIC believes that a party or parties has/have structured holdings of Shares to take advantage of the Broker Fee.

The Broker Fee is payable to Brokers only. No part of any Broker Fee may be passed on or paid to the accepting Wallace shareholders. An acceptance of a Broker Fee by a Broker constitutes a representation that neither it, nor its associates, holds a relevant interest (within the meaning of those terms in the Corporations Act) in the Shares and the Broker Fee will not be passed on or otherwise shared directly or indirectly with the accepting Wallace shareholder.

If the Offer becomes free of the condition, the Broker Fee will be payable to any Broker:

- who submits to the Share Registrar the Share Registrar's Broker Fee Claim Form (**Claim Form**) no later than 5.00pm (Sydney time) on the day which is 5 Business Days after the end of the Offer Period. Claim Forms may be obtained from the Share Registrar by contacting [AIC@linkmarketservices.com.au](mailto:AIC@linkmarketservices.com.au); and
- whose original official stamp appears on the Acceptance Form or who, in respect of a CHESS Holding, produces evidence satisfactory to AIC that it is the Controlling Participant who initiated the acceptance.

The Claim Form, with all relevant details, must be submitted to the Share Registrar in hard copy format to the following address:

Link Market Services Limited  
Wallace Absolute Return Limited Takeover  
Locked Bag A14  
Sydney South NSW 1235

For any Wallace shareholder on the CHESS subregister, where that shareholder directly requests AIC (and not the relevant Broker) to initiate acceptance of the Offer on their behalf, that Broker will not be entitled to receive the Broker Fee.

No Broker Fees are payable in respect of Acceptances that are withdrawn.

Subject to the terms above, payment of the Broker Fee in respect of a valid Acceptance bearing the original Broker's stamp (if applicable) and the Claim Form in the format described above, will be made by cheque within 10 Business Days after the end of the Offer Period.

No Broker Fees are payable in respect of on-market acquisitions of Shares by AIC (see section 11.2 of this Bidder's Statement).

#### **11.4 Consents**

This Bidder's Statement contains references to, statements made by or statements said to be based on statements made by AIC. AIC has consented to the inclusion of:

- each reference to its name;
- each statement it has made; and
- each statement which is said to be based on a statement it has made,

in the form and context in which each reference or statement (as applicable) appears and has not withdrawn that consent as at the date of this Bidder's Statement.

Sandon Capital has acted as financial adviser and Corrs Chambers Westgarth has acted as legal adviser to AIC and Link Market Services has acted as share registrar for AIC in relation to the Offer. Each of Sandon Capital, Corrs Chambers Westgarth and Link Market Services has consented to be named in this Bidder's Statement in the form and context in which it is named and has not withdrawn that consent as at the date of this Bidder's Statement, but should not be regarded as authorising the issue of this Bidder's Statement or any statements in it.

#### **11.5 ASIC modifications and exemptions**

AIC has not obtained from ASIC any modifications or exemptions from the Corporations Act in relation to AIC's Offer.

AIC may rely upon various "class order" instruments published by ASIC which provide for modifications and exemptions that apply generally to all persons including AIC.

#### **11.6 Other material information**

Except as disclosed elsewhere in this Bidder's Statement, there is no other information that is:

- (a) material to the making of a decision by a Wallace shareholder whether or not to accept the Offer; and

- (b) known to AIC,  
which has not previously been disclosed to Wallace shareholders.

## **12 The terms of the Offer**

### **12.1 Offer**

- (a) AIC is offering to acquire all of Your Shares on and subject to the terms set out in this section 12 of this Bidder's Statement.
- (b) Despite section 12.1(a), if accepting this Offer would leave you with less than a Marketable Parcel of the Shares you will be taken to have accepted for (and will receive consideration for) 100% of your Shares.
- (c) The consideration under the Offer is A\$0.059 a Share.
- (d) By accepting this Offer, you undertake to transfer to AIC not only the Shares to which the Offer relates, but also all Rights attached to those Shares (see section 12.5(b)(vi) and section 12.6(c)) of this Bidder's Statement.
- (e) This Offer is being made to each person registered as the holder of Shares in the register of Wallace shareholders at 7.00 pm (Sydney time) on the Register Date. It also extends to:
- (i) any Shares that are issued during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights conferred by, securities which are on issue as at the Register Date; and
  - (ii) any person who becomes registered, or entitled to be registered, as the holder of Your Shares during the Offer Period.
- (f) If, at the time the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of the Shares to which this Offer relates:
- (i) a corresponding offer on the same terms as this Offer will be taken to have been made to that other person in respect of those Shares;
  - (ii) a corresponding offer on the same terms as this Offer will be taken to have been made to you in respect of any other Shares you hold to which the Offer relates; and
  - (iii) this Offer will be taken to have been withdrawn immediately at that time.
- (g) If at any time during the Offer Period you are registered or entitled to be registered as the holder of one or more parcels of Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate Offer on the same terms as this Offer had been made in relation to each of those parcels and any parcel you hold in your own right. To validly accept the Offer for each parcel, you must comply with the procedure in section 653B(3) of the Corporations Act.
- (h) If Your Shares are registered in the name of a broker, investment adviser or dealer, bank, trust company or other nominee, you should contact them for assistance in accepting the Offer.

- (i) The Offer is dated 12 July 2010.

## 12.2 Offer Period

- (a) Unless withdrawn, the Offer will remain open for acceptance during the period commencing on the date of this Offer and ending at 7.00 pm (Sydney time) on the later of:
  - (i) 13 August 2010; or
  - (ii) any date to which the Offer Period is extended.
- (b) AIC reserves the right to extend the Offer Period in accordance with the Corporations Act.
- (c) If, within the last 7 days of the Offer Period, the Offer is varied to improve the consideration offered, then the Offer Period will be automatically extended so that it ends 14 days after the event in accordance with section 624(2) of the Corporations Act.

## 12.3 How to accept this Offer

### (a) General

- (i) Subject to section 12.1(f) and section 12.1(g), you may accept this Offer for all or any of Your Shares. You must specify the number of Shares for which you wish to accept (**Accepted Shares**) in the Acceptance Form. If you do not specify a number of Shares or you specify a number greater than your holding on your Acceptance Form, you will be taken to have accepted the Offer for all of Your Shares.
- (ii) You may accept this Offer at any time during the Offer Period.

### (b) Shares held in your name on Wallace's issuer sponsored subregister

To accept this Offer for Shares held in your name on Wallace's issuer sponsored subregister (in which case your Security Holder Reference Number will commence with 'I'), you must:

- (i) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
- (ii) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

### (c) Shares held in your name in a CHESS Holding

- (i) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are not a Participant, you should instruct your broker or Controlling Participant (this is normally the stockbroker through whom you bought Your Shares or ordinarily acquire shares on ASX) to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.

- (ii) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are a Participant, you should initiate acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.
- (iii) Alternatively, to accept this Offer for Shares held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you may sign and complete the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form and ensure that it (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.
- (iv) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you must comply with any other applicable ASTC Settlement Rules.

**(d) Shares of which you are entitled to be registered as holder**

To accept this Offer for Shares which are not held in your name, but of which you are entitled to be registered as holder, you must:

- (i) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
- (ii) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

**(e) Acceptance Form and other documents**

- (i) The Acceptance Form forms part of the Offer.
- (ii) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by post, for your acceptance to be valid you must ensure that they are posted or delivered in sufficient time for them to be received by AIC at one of the addresses shown on the Acceptance Form before the end of the Offer Period.
- (iii) When using the Acceptance Form to accept this Offer in respect of Shares in a CHESS Holding, you must ensure that the Acceptance Form (and any documents required by the terms of this Offer and the instruction on the Acceptance Form) is received by AIC in time for AIC to instruct your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.
- (iv) The postage of the Acceptance Form and other documents is at your own risk.

## **12.4 Validity of acceptances**

- (a) Your acceptance of the Offer is not valid unless it is made in accordance with the procedures set out in section 12.3.

- (b) AIC may determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Offer and time of receipt of an acceptance of the Offer. AIC is not required to communicate with you prior to making this determination. The determination of AIC is final and binding on all parties.
- (c) AIC may, in its sole discretion, at any time and without further communication to you, treat any Acceptance Form it receives to be a valid acceptance in respect of Your Shares, even if a requirement for acceptance has not been complied with but the payment of the consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by AIC.
- (d) Where you have satisfied the requirements for acceptance in respect of only some of Your Shares, AIC may, in its sole discretion, regard the Offer to be accepted in respect of those of Your Shares but not the remainder.
- (e) AIC must provide the consideration to you in accordance with section 12.6, in respect of any part of an acceptance determined by AIC to be valid.

## 12.5 The effect of acceptance

- (a) Once you have accepted this Offer, you will be unable to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw Your Shares from the Offer or otherwise dispose of Your Shares, except that if the Offer Period is extended for more than one month and, at the time, this Offer is subject to the condition in section 12.8, you may be able to withdraw your acceptance and your Accepted Shares in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.
- (b) By signing and returning the Acceptance Form, or otherwise accepting this Offer pursuant to section 12.3, you are taken to have:
  - (i) subject to the AIC freeing the Offer from the condition to this Offer in section 12.8 accepted this Offer (and any variation of it) in respect of Your Shares, and agreed to transfer Your Shares to AIC (even if the number of Shares specified on the Acceptance Form differs from the number of Your Shares), subject to sections 12.1(f) and 12.1(g);
  - (ii) warranted to AIC, as a fundamental term of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of Your Shares (including any rights) to AIC is registered, that all Your Shares are and will be free from all mortgages, charges, liens, encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept this Offer and to sell and transfer the legal and beneficial ownership in Your Shares (including any Rights) to AIC, and that you have paid to Wallace all amounts which at the time of acceptance have fallen due for payment to Wallace in respect of Your Shares;
  - (iii) irrevocably authorised AIC (and any director, secretary or nominee of AIC) to alter the Acceptance Form on your behalf by inserting correct details of Your Shares, filling in any blanks remaining on the form and rectifying any errors or

omissions as may be considered necessary by AIC to make it an effective acceptance of this Offer or to enable registration of Your Shares in the name of AIC;

- (iv) if you signed the Acceptance Form in respect of Shares which are held in a CHESS Holding, irrevocably authorised AIC (or any director, secretary or agent of AIC) to instruct your Controlling Participant to initiate acceptance of this Offer in respect of Your Shares in accordance with Rule 14.14 of the ASTC Settlement Rules;
- (v) If you signed the Acceptance Form in respect of Shares which are held in a CHESS Holding, irrevocably authorised AIC (or any director, secretary or agent of AIC) to give any other instructions in relation to Your Shares to your Controlling Participant, as determined by AIC acting in its own interests as a beneficial owner and intended registered holder of those Shares;
- (vi) irrevocably authorised and directed Wallace to pay to AIC, or to account to AIC for, all Rights in respect of Your Shares, subject, if this Offer is rescinded or rendered void, to AIC accounting to you for any such Rights received by AIC;
- (vii) irrevocably authorised AIC to notify Wallace on your behalf that your place of address for the purpose of serving notices upon you in respect of Your Shares is the address specified by AIC in the notification;
- (viii) with effect from the date on which AIC declares the Offers to be free from the condition to this Offer in section 12.8 appointed AIC (and any director, secretary or nominee of AIC) severally as your agent and attorney to exercise all your powers and rights in relation to Your Shares, including (without limitation) powers and rights to requisition, convene, attend and vote in person, by proxy or by body corporate representative, at all general meetings of Wallace and to request Wallace to register, in the name of AIC or its nominee, Your Shares, as appropriate, with full power of substitution (such power of attorney, being coupled with an interest, being irrevocable);
- (ix) with effect from the date on which AIC declares the Offers to be free from the condition to this Offer in section 12.8 agreed not to attend or vote in person, by proxy or by body corporate representative at any general meeting of Wallace or to exercise or purport to exercise any of the powers and rights conferred on AIC (and its directors, secretaries and nominees) in section 12.5(b)(viii);
- (x) agreed that in exercising the powers and rights conferred by the powers of attorney granted under section 12.5(b)(viii), the attorney is entitled to act in the interests of AIC as the beneficial owner and intended registered holder of Your Shares;
- (xi) agreed to do all such acts, matters and things that AIC may require to give effect to the matters the subject of this section 12.5(b) (including the execution of a written form of proxy to the same effect as this section 12.5(b) which complies in all respects with the requirements of the constitution of Wallace) if requested by AIC;

- (xii) agreed to indemnify AIC in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or Security Holder Reference Number or in consequence of the transfer of your Acceptance Shares to AIC being registered by Wallace without production of your Holder Identification Number or your Security Holder Reference Number for Your Shares;
  - (xiii) warranted to AIC that, unless you have notified it in accordance with section 12.1(g), Your Shares do not consist of separate parcels of Shares;
  - (xiv) irrevocably authorised AIC (and any nominee) to transmit a message in accordance with Rule 14.17 of the ASTC Settlement Rules to transfer Your Shares to AIC's Takeover Transferee Holding, regardless of whether it has paid the consideration due to you under this Offer; and
  - (xv) agreed, subject to AIC declaring all the Offers to free from the condition in section 12.8, to execute all such documents, transfers and assurances, and do all such acts, matters and things that AIC may consider necessary or desirable to convey Your Shares registered in your name and Rights to AIC.
- (c) The undertakings and authorities referred to in section 12.5 (b) remain in force after you receive the consideration for Your Shares and after AIC becomes registered as the holder of Your Shares.

## 12.6 Payment of consideration

- (a) Subject to this section 12.6 and the Corporations Act, AIC must provide the consideration due to you for Your Shares on or before the earlier of:
  - (i) 21 days after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within 21 days after this Offer becomes unconditional; and
  - (ii) 21 days after the end of the Offer Period.
- (b) Where the Acceptance Form requires an additional document to be delivered with your Acceptance Form (such as a power of attorney):
  - (i) If that document is given with your Acceptance Form, AIC must provide the consideration in accordance with section 12.6(a);
  - (ii) If that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is subject to a defeating condition, AIC must provide the consideration due to you on or before the earlier of 21 days after this Offer becomes unconditional and 21 days after the end of the Offer Period;
  - (iii) If that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is not subject to a defeating condition, AIC must provide the consideration due to you on or before the earlier of 21 days after that document is given and 21 days after the end of this Offer period; and
  - (iv) If that document is given after the end of the Offer Period, and the Offer is not subject to a defeating condition, AIC must provide the consideration within 21 days after that document is delivered. However, if at the time the document is given, the Offer is still subject to a defeating condition that relates only to the

happening of an event or circumstance referred to in section 652C(1) or (2) of the Corporations Act, AIC must provide the consideration due to you within 21 days after the Offer becomes unconditional.

- (c) If you accept this Offer, AIC is entitled to all Rights in respect of Your Shares. AIC may require you to provide all documents necessary to vest title to those Rights in AIC, or otherwise to give it the benefit or value of those Rights.
- (d) The consideration payable by AIC to you under the Offer will be paid to you by cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) at the address as shown on your Acceptance Form.
- (e) If at the time you accept the Offer any of the following:
  - (i) *Banking (Foreign Exchange) Regulations 1959* (Cth);
  - (ii) *Charter of the United Nations (Dealing with Assets) Regulations 2008* (Cth); or
  - (iii) any other law of Australia,

require that an authority, clearance or approval of the Reserve Bank of Australia, the Australian Taxation Office or any other government authority be obtained before you receive any consideration for Your Shares, or would make it unlawful for AIC to provide any consideration to you for Your Shares, you will not be entitled to receive any consideration for Your Shares until all requisite authorities, clearances or approvals have been received by AIC.

## **12.7 Rounding of cash consideration**

If you are entitled to receive a fraction of a cent under the Offer, the cash consideration you are entitled to receive will be rounded up to the nearest whole cent.

## **12.8 The condition of this Offer**

Subject to section 12.9, the completion of this Offer and any contract that results from an acceptance of this Offer is subject only to there being no Prescribed Occurrences between the Announcement Date and the end of the Offer Period (each inclusive).

## **12.9 Nature and benefit of condition**

- (a) The condition in section 12.8 is a condition subsequent. The non-fulfilment of this condition subsequent does not, until the end of the Offer Period, prevent a contract to sell Your Shares from arising, but entitles AIC by written notice to you, to rescind the contract resulting from your acceptance of this Offer.
- (b) Subject to the Corporations Act, AIC alone is entitled to the benefit of the condition in section 12.8, or to rely on any non fulfilment of it.
- (c) As noted in section 7.2, AIC is a major shareholder of Wallace. AIC undertakes not to do anything that would trigger a Prescribed Occurrence unless AIC also waives that breach of a Prescribed Occurrence.

## **12.10 Freeing the Offer of the condition**

AIC may free this Offer, and any contract resulting from its acceptance, from the condition in section 12.8, either generally or by reference to a particular fact, matter, event, occurrence or circumstance, by giving a notice to Wallace and to the ASX declaring this Offer to be free

from the condition, in accordance with section 650F of the Corporations Act. This notice may be given not less than 7 days before the end of the Offer Period.

#### **12.11 Notice on status of the condition**

The date for giving the notice on the status of the condition required by section 630(1) of the Corporations Act is 5 August 2010 (subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

#### **12.12 Withdrawal of this Offer**

- (a) This Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, AIC must give notice of the withdrawal to ASX and to Wallace and comply with any other conditions imposed by ASIC.
- (b) If, at the time this Offer is withdrawn, the Offer has been freed from the condition in section 12.8, all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.
- (c) If, at the time this Offer is withdrawn, the Offer remains subject to the condition in section 12.8, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant condition has occurred).
- (d) A withdrawal pursuant to this section 12.12 is taken to have effect:
  - (i) if the withdrawal is not subject to conditions imposed by ASIC, after the date that consent in writing is given by ASIC; or
  - (ii) if the withdrawal is subject to conditions imposed by ASIC, after the date those conditions are satisfied.

#### **12.13 Variation of this Offer**

AIC may vary this Offer.

#### **12.14 No stamp duty or brokerage charges**

- (a) AIC will pay any stamp duty on the transfer of Your Shares to it.
- (b) As long as Your Shares are registered in your name and you deliver them directly to AIC, you will not incur any brokerage charges in connection with your acceptance of this Offer.

#### **12.15 Governing laws**

This Offer and any contract that results from your acceptance of it are to be governed by the laws in force in New South Wales, Australia.

## 13 Definitions and interpretation

### 13.1 Definitions

In this Bidder's Statement and in the Acceptance Form unless the context otherwise appears, the following terms have the meanings shown below.

**Acceptance Form** means the acceptance form enclosed with this Bidder's Statement.

**AIC** means Armidale Investment Company Pty Ltd ACN 143 917 088.

**Announcement Date** means the date of the announcement by Wallace detailing AIC's offer to acquire all of the shares in Wallace, being 4 June 2010.

**ASIC** means the Australian Securities and Investments Commission.

**ASTC** means ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532.

**ASTC Settlement Rules** means the operating rules of the ASTC which govern the administration of the Clearing House Electronic Subregister System.

**ASX** means ASX Limited ABN 98 008 624 691.

**ASX Listing Rules** means the listing rules of ASX as amended or varied from time to time.

**ASX Settlement and Transfer Corporation** means ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532.

**Bidder's Statement** means this document, being the statement of AIC under Part 6.5 Division 2 of the Corporations Act relating to the Offer.

**Business Day** means a day on which banks are open for business in Sydney, excluding a Saturday, Sunday or public holiday.

**CGT** means capital gains tax.

**CHES Holding** means a holding of Shares which are registered on the Wallace share register being a register administered by the ASX Settlement and Transfer Corporation Pty Limited and which records uncertificated holdings of Shares.

**Controlling Participant** in relation to Your Shares, has the same meaning as in the ASTC Settlement Rules.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**HAL** means HAL Data Services Pty Limited ACN 058 578 082.

**Holder Identification Number or HIN** has the same meaning as in the ASTC Settlement Rules.

**Issuer Sponsored Holding** means a holding of Shares on the Wallace issuer sponsored subregister.

**LIC** means Listed Investment Company.

**Marketable Parcel** means a holding of Shares with a value of not less than \$500 based on the ASX closing price for the Shares on the date of your acceptance of the Offer.

**NTA** means Net Tangible Assets.

**Offer or the Offer** means the offer for Shares under the terms contained in section 12 of this Bidder's Statement.

**Offer Period** means the period during which the Offer will remain open for acceptance in accordance with section 12.2 of this Bidder's Statement.

**Participant** means an entity admitted to participate in the Clearing House Electronic Sub-register system under Rule 4.3.1 and 4.4.1 of the ASTC Settlement Rules.

**Prescribed Occurrence** means any of the following (being only the occurrences listed in section 652C of the Corporations Act):

- (a) Wallace converts all or any of the Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (b) Wallace or a subsidiary of Wallace resolves to reduce its share capital in any way;
- (c) Wallace or a subsidiary of Wallace:
  - (i) enters into a buyback agreement;
  - (ii) or resolves to approve the terms of a buyback agreement,under subsections 257C(1) or 257D(1) of the Corporations Act;
- (d) Wallace or a subsidiary of Wallace issues shares or grants an option over its shares or agrees to make such an issue or grant such an option;
- (e) Wallace or a subsidiary of Wallace issues, or agrees to issue, convertible notes;
- (f) Wallace or a subsidiary of Wallace disposes or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) Wallace or a subsidiary of Wallace charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) Wallace or a subsidiary of Wallace resolves that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator of Wallace or of a subsidiary of Wallace;
- (j) the making of an order by a court for the winding up of Wallace or of a subsidiary of Wallace;
- (k) an administrator of Wallace or of a subsidiary of Wallace is appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) Wallace or a subsidiary of Wallace executes a deed of company arrangement; or
- (m) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of Wallace or of a subsidiary of Wallace.

**Presmore** means Presmore Pty Limited ACN 003 430 779.

**Register Date** means the date set by AIC under section 633(2) of the Corporations Act, being 8 July 2010.

**Rights** means all accreditations, rights or benefits of whatever kind attaching or arising from Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by Wallace or any of its subsidiaries, other than the Ordinary Dividend).

**Rights Issue** means the renounceable Rights Issue announced by Wallace on 4 May 2010.

**Sandon Capital** means Sandon Capital Pty Limited ACN 130 853 691.

**Security Holder Reference Number or SRN** has the same meaning as in the ASTC Settlement Rules.

**Share** means a fully paid ordinary share in the capital of Wallace.

**Share Registrar** means Link Market Services Limited ACN 083 214 537.

**Takeover Bid** means the off-market takeover bid constituted by the despatch of the Offers in accordance with the Corporations Act.

**Takeover Transferee Holding** has the same meaning as in the ASTC Settlement Rules.

**Trading Days** has the meaning given in the ASX Listing Rules.

**VWAP** means volume weighted average price.

**Wallace** means Wallace Absolute Return Limited ACN 100 854 788.

**Wallace Board** means the board of directors of Wallace.

**Your Shares** means subject to section 12.1(f) and section 12.1(g) the Shares:

- (a) in respect of which you are registered, or entitled to be registered, as holder in the register of shareholders of Wallace at 7.00 pm (Sydney time) on the Register Date; or
- (b) to which you are able to give good title at the time you accept this Offer during the Offer Period.

## 13.2 Interpretation

In this Bidder's Statement and in the Acceptance Form, the following rules of interpretation apply unless the contrary intention appears or the context requires otherwise:

- (a) A reference to time is a reference to Sydney time.
- (b) Headings are for convenience only and do not affect interpretation.
- (c) The singular includes the plural and conversely.
- (d) A reference to a section is to a section of this Bidder's Statement.
- (e) A gender includes all genders.
- (f) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (g) A\$, \$, dollars or cents is a reference to the lawful currency in Australia, unless otherwise stated.
- (h) A reference to a person includes a body corporate, an unincorporated body or other entity and conversely.

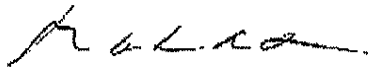
- (i) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns.
- (j) A reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
- (k) A reference to any instrument or document includes any variation or replacement of it.
- (l) A term not specifically defined in this Bidder's Statement has the meaning given to it (if any) in the Corporations Act, the ASX Listing Rules or the ASTC Settlement Rules, as the case may be.
- (m) A reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually.

#### **14 Approval of Bidder's Statement**

This Bidder's Statement has been approved by a resolution passed by the sole director of AIC.

Date: 25 June 2010

Signed for and on behalf of  
Armidale Investment Company Pty Limited

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

Mark Smith, Director

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