



**Abalone
Investment
Limited**

ACN 140 313 926

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7 April 2010

Dear Shareholder/Grower

Your Board felt that it is opportune to write and provide an update on the progress of the company during this year.

Since the recapitalisation of the ABA group through the payment of outstanding fees and the final payments to the administrator, Abalone Investment Limited (AIL) assumed control of all the ABA companies and, we believe, has made remarkable progress.

Not only have the problem areas been identified and rectified but also the company has already embarked on a completely new business plan that your Board believes will ensure our future success.

An important step has been to arrange the purchase of a suitable hatchery for cash and shares. This land-based hatchery will allow us to produce and grow spat through to 30 mm size or more with complete control, before their introduction to our sea grow out infrastructure. This step gives the company considerable flexibility and even more importantly, overcomes the very large spat losses and mortalities arising from the previous MIS schemes aquaculture practice of using much smaller sized spat in the sea.

The business plan also focuses on the clear recognition that the major attribute and competitive advantage of the company's established sea infrastructure is its ability to on grow juvenile abalone over 30 mm through to the target size of 100 mm within 24 months utilising the rapid growth in a native sea environment with substantially reduced mortalities from using the larger juveniles. Further, with some controlled supplemental feeding as the biomass increases, our results now show impressive growth rates well in excess of 3 mm per month, with very good food conversion ratios.

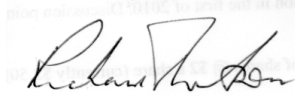
Through the company's technical advisor, Dr Anthony Cheshire, we have also implemented rigorous appraisal and measurement protocols to provide continuous stock assessment monitoring and the results from these procedures has confirmed our operational approach and indeed, has exceeded our expectations.

To this date approximately 65% of the outstanding cage, management and harvest fees have been paid. This has enabled AIL to make the significant progress to date and we welcome all those investors as AIL shareholders. The company will continue to actively seek the collection of the balance of those fees as well as to evaluate other potential funding sources to meet the funding requirements of the hatchery purchase and provide further working capital to fully utilise our established infrastructure.

Our business plan indicates that the company should be cash flow positive from operations within 18 months given the abalone stock reaching harvest weight and the establishment activities to date. The Board is confident that the company is in a great position to benefit from the excellent work of our management team lead by David Mazengarb.

Any comments or suggestions are welcome.

Yours faithfully

A handwritten signature in black ink, appearing to read "R. J. Watson". The signature is written in a cursive style with a large, prominent initial "R".

R. J. Watson AM
Chairman