

23 January 2008

The Manager  
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**Allco Finance Group (ASX: AFG) – Letter from Allco Principals Investments Pty Ltd**

Allco Finance Group (Allco) notes the following letter that has been received from Allco Principals Investment Pty Ltd (API) regarding certain information API has received from its margin lenders.

Allco notes that it provides no guarantees or other financial support in relation to the margin loans referred to in the API letter.

This is principally an API shareholder matter however, Allco as manager of the fund is monitoring the situation closely.

Allco confirms that there are no developments with regard to Allco's business which require market announcement.

Yours sincerely



**Tom Lennox**  
Company Secretary

**Contact Details**  
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**ASX RELEASE**



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The Company Secretary  
Allco Finance Group Limited  
Level 24, Gateway Building  
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Sydney NSW 2000

Dear Sir,

Allco Principals Investments Pty Ltd (API), a wholly owned subsidiary of the Allco Principals Trust (APT) holds 45,802,729 shares in Allco Finance Group (AFG) as previously advised in the substantial shareholder notice dated 5 April 2007. These shares are secured in favour of four margin lenders.

We advise you that currently two of these margin lenders with security over 22.1 million AFG shares and 22.6 million Allco HIT Limited shares, have exercised their power of sale over all of the AFG shares. The two margin lenders that have exercised their security have no other security and we understand that they have sold the AFG shares on market today. API expects that its obligations to these margin lenders will be either fully discharged upon the exercise of the security or by API paying the balance of any outstanding amounts.

API will lodge further notification to the market as to the particulars of any sale pursuant to its statutory obligations to do so.

API is currently in constructive discussions with the remaining two margin lenders with a view to completing a standstill agreement between API and those lenders to ensure that, given the current market volatility, no further stock is sold. The intent of the proposed standstill arrangement is that it will be for a term that allows the market an opportunity to properly assess and absorb AFG's interim and full year 2008 results.

This sale has been driven as a result of extreme market volatility and the current AFG share price. This sale is not reflective of AFG's business, performance and prospects but is reflective of the fact that APT is a closed-end investment fund and is constrained from accessing further capital at short notice.

Yours sincerely

Christopher West  
Director