

18th March 2008

Dear Shareholder

It is a pleasure to provide you with this latest update on the development of the Company and I have enclosed the Interim Financial Report for the half year ended 31 December 2007.

In this six month period the Company made a profit of \$32,487 mainly as a result of its share of net profit from the investment in Fox Riverside Pty Ltd., which is undertaking a joint venture to develop three properties on the Brisbane Riverfront. The second of these riverfront properties was sold at a profit in July and the Company's share of the revenue amounted to \$141,240.

The final riverfront property is situated at Tennyson and development work has commenced but the joint venture partnership has received a notice of appeal to set aside the Development Approval it received from Brisbane City Council in October 2006. The appellant is the adjoining owner. Legal proceedings have commenced in the Planning and Environment Court to strike out the appeal. If, however the appellant is successful there will be a negative effect on any potential profits to be made by the Joint Venture Company Fox Riverside Pty Ltd.

There is very good news on the values of the properties which the Company owns in Toowoomba – they have shown and increase in value of over 7%. This increased value is not reflected in the balance sheet

At the AGM I announced that the management fee charged by Fox Portfolio Pty Ltd would be reduced to an annual fee of only \$12,000. This has saved \$31,430 in this 6 month period over the corresponding period last year and will save a further \$43,000 in the second half of this financial year. Going forward we will continue to save the company money wherever possible and expense items in the Company are now contained to an absolute minimum expenditure. I receive no director fees and the two executive directors in the company, Howard Woolcott and Jodie Stainton, each receive only \$12,000 per annum in fees.

Our goal in the next six month period is to realise on our investment in the Fox Riverside Pty Ltd partnership and then consider what further investment opportunities may be available to us.

I thank you all for your continued support and interest in the Company.

Sincerely



Peter Spann
Chief Executive Officer



Property Fox No 2 Limited

Interim financial report

Half year ended 31 December 2007

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Directors' report

Your directors submit the financial report of the company for the half year ended 31 December 2007.

Directors

The names of directors who held office during or since the end of the half year:

- Peter John Spann
- Jodie Stainton
- Howard Woolcott

Directors have been in office to the date of this report unless otherwise stated.

Principal Activities

The principal activities of the company during the period were the acquisition and development, either directly or through a subsidiary, of parcels of real estate in accordance with the real estate mandate of the company.

Review of Operations

The company was active in its pursuit of its principal activities during the period.

The net profit for the company for the half year ended 31 December 2007 before income tax amounted to \$32,487 (half year ended 2006: loss \$230,684). The operating results for the half year are consistent with the company's business plan.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 2 for the half year ended 31 December 2007.

This report is signed in accordance with a resolution of the Board of Directors.



Howard Woolcott

Director

Dated this 14th day of March 2008



AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF PROPERTY FOX NO 2 LIMITED

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In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Property Fox No 2 Limited for the half-year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON QUEENSLAND PARTNERSHIP

Grant Thornton Queensland Partnership

D J CARROLL
Partner
Brisbane

Dan Carroll

Date: 14 March 2008

Income statement

For the half year ended 31 December 2007

	Note	31 Dec 2007 \$	31 Dec 2006 \$
Revenue	(2)	33,496	35,712
Share of net profit of associates		141,240	-
Management fees		(12,000)	(43,430)
Professional fees		(39,343)	(24,229)
Share Registry fees		(6,134)	-
Company Secretarial fees		(16,500)	(5,259)
Directors remuneration expense		(12,600)	(13,640)
Investment property expenses		(17,192)	(21,889)
Finance costs		(26,391)	(23,940)
NSX Listing costs		(3,337)	-
Other expenses		(8,752)	(961)
Share of net losses of associates		-	(133,048)
Profit before income tax		32,487	(230,684)
Income tax expense		-	-
Profit for the period		32,487	(230,684)
Overall Operations:			
Basic earnings per share (cents per share)		1.08	(7.64)
Diluted earnings per share (cents per share)		1.08	(7.64)

The accompanying notes form part of these financial statements.

Balance sheet

As at 31 December 2007

	31 December 2007	30 June 2007
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	150,009	81,914
Trade and other receivables	10,520	682
Other current assets	15,073	26,279
TOTAL CURRENT ASSETS	175,602	108,875
NON CURRENT ASSETS		
Investments accounted for using the equity method	1,139,524	1,390,823
Property	1,329,454	1,335,233
Other non current assets	142,538	-
TOTAL NON CURRENT ASSETS	2,611,516	2,726,056
TOTAL ASSETS	2,787,118	2,834,931
CURRENT LIABILITIES		
Trade and other payables	16,973	97,273
Short term borrowings	834,088	834,088
TOTAL LIABILITIES	851,061	931,361
NET ASSETS	1,936,057	1,903,570
EQUITY		
Issued capital	2,642,220	2,642,220
Reserves	17,490	17,490
Retained earnings	(723,653)	(756,140)
TOTAL EQUITY	1,936,057	1,903,570

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the half year ended 31 December 2007

	Share Capital A class	Retained Profits	Options Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2006	2,632,220	(507,251)	17,287	2,142,256
Shares issued during the period	10,000	-	-	10,000
Share based payments for directors	-	-	14	14
Profit attributable to members	-	(230,684)	-	(230,684)
Sub total	2,642,220	(737,935)	17,301	1,921,586
Dividends paid or provided for	-	-	-	-
Balance at 31 December 2006	2,642,220	(737,935)	17,301	1,921,586
Balance at 1 July 2007	2,642,220	(756,140)	17,490	1,903,570
Profit attributable to members	-	32,487	-	32,487
Sub total	2,642,220	(723,653)	17,490	1,936,057
Dividends paid or provided for	-	-	-	-
Balance at 31 December 2007	2,642,220	(723,653)	17,490	1,936,057

The accompanying notes form part of these financial statements.

Cash flow statement

For the half year ended 31 December 2007

	31 December 2007	31 December 2006
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from investment property	23,658	31,917
Payments to suppliers and directors	(184,952)	(48,056)
Interest paid	(26,391)	(23,940)
Interest received	-	3,795
Net cash provided by (used in) operating activities	(187,685)	(36,284)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in associate	250,000	(50,000)
Net cash provided by (used in) investing activities	250,000	(50,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings provided to related entities	5,780	-
Proceeds for share applications	-	10,000
Net cash provided by (used in) financing activities	5,780	10,000
Net increase in cash held	68,095	(76,285)
Cash at beginning of period	81,914	283,481
Cash at end of period	150,009	207,197

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the half year ended 31 December 2007

Note 1: Basis of Preparation

The half year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2007 and any public announcements made by Property Fox No 2 Limited during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets and financial liabilities for which the fair value basis of accounting has been applied.

	31 December 2007	31 December 2006
	\$	\$
Note 2: Profit from ordinary activities		
Operating revenue:		
Rental income	32,992	31,917
Interest received	504	3,795
	<u>33,496</u>	<u>35,712</u>

Note 3: Segment Information

The company operates an investment company acquiring and developing either directly or indirectly, parcels of residential real estate in accordance with the company's real estate mandate. The company currently operates in one geographical segment being Queensland.

Note 4: Contingent Liabilities

Property Fox No 2 Limited has a contractual obligation to pay Fox Riverside Pty Ltd \$4,957,012 should Fox Riverside Pty Ltd make a call on the full amount of the unpaid capital. The directors believe that this contingent liability will not materialise as:-

The Fox Riverside Pty Ltd shareholders agreement lists the terms that must be met for a call of unpaid capital. As Property Fox No 2 holds 49% of the issued capital it can significantly influence the approval of a call for unpaid capital being made.

Note 5: Events Subsequent to Reporting Date

The Company owns 49% of the issued capital in Fox Riverside Pty Limited and is entitled to 31.17% of the net proceeds of a Joint Venture which it is undertaking to develop a parcel of land in the Brisbane suburb of Tennyson. Fox Riverside Pty Limited has received a notice of appeal to set aside the Development Approval it received from Brisbane City Council in October 2006. The appellant is the adjoining owner. Legal proceedings have commenced in the Planning and Environment Court to strike out the appeal. If, however the appellant is successful there will be a negative effect on any potential profits to be made by the Joint Venture Company Fox Riverside Pty Ltd.

The Directors are confident that they will recover the carrying amount of investment in Fox Riverside Pty Ltd irrespective of the outcome of the appeal. The carrying amount of investment as at 31 December 2007 was \$1,282,062.

Directors' declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 3-7:

a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

b. give a true and fair view of the economic entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'H. Woolcott', with a large, stylized flourish at the end.

Director

Howard Woolcott

Dated this 14th day of March 2008



INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF PROPERTY FOX NO 2 LIMITED

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Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Property Fox No 2 Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies, and other selected explanatory notes.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Property Fox No 2 Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.



A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Australian professional ethical pronouncements and the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Property Fox No 2 Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2007 and of its performance for the half-year ended on that date.
- (b) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Inherent Uncertainty Regarding Payment of Uncalled Share Capital in Associate

Without qualification to the review opinion expressed above, attention is drawn to the following matter. As indicated in Note 4 to the financial report, Property Fox No 2 Limited has an obligation to pay uncalled share capital in an associate. A call has not yet been made on these shares. Should this call be made and the company has not raised sufficient funds to pay the call through either sourcing alternative funding, or a sell down of company assets, there would be significant uncertainty whether Property Fox No 2 would be able to continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

GRANT THORNTON QUEENSLAND PARTNERSHIP

Grant Thornton Queensland Partnership
Dan Carroll

D J CARROLL
Partner
Brisbane

Date: 14 March 2008