

**Chairman's address at the Annual General Meeting of Property Fox No 2 Limited  
held in Brisbane on 7<sup>th</sup> November 2008.**

It is a pleasure to be here with you today as Managing Director of Property Fox No. 2 Limited "PF2" in a year where the company's position improved considerably.

Even considering the general dull climate in the Real Estate market PF2's investments are strategic in nature and in high demand and have shown aggregate increases this year.

In order to better position the company for the future the Directors have worked on substantially decreasing operational costs including renegotiating the Manager's fee to just \$12,000PA. The net operating loss was reduced by \$217,766 to just \$31,123 (this financial year).

Despite the small net loss, the company is in a financially sound and economically favourable position. Due to the nature of the company's principal business activity operating losses are inherent during years when the entity's business operations focus on acquisition and redevelopment of property for future revenue generating projects.

This has been the case with PF2. The business operations of the company have centered primarily on the acquisition and redevelopment of property hence it recorded a small net operating loss.

Property Fox No 2 Limited's real estate assets are sound with great future potential and comprise three holdings:

**1. Joint Venture with Fox Riverside**

The Company has an entitlement to 31.17% in Fox Riverside Pty Ltd a joint venture which owns land with a development approval to construct two prestige homes on the Brisbane River.

This property was recently sold for \$2,750,000.

The carrying value of the investment had been written down by \$91,301. The joint venture reported a profit of \$158,700 for the year following the sale of other property. So in aggregate PF2 is in front through this investment this year.

The Joint Venture will now be wound up and PF2 will receive the proceeds of the sale and other cash the Joint Venture is holding.

## **2. Acreage on the Brisbane River at Anstead.**

The Company has a 5% holding in a joint venture with Fox Riverside No 2 Pty Ltd.

This block was acquired as a long term investment for its development potential. Current zoning allows the block to be subdivided into 9 parcels. Property values in the area are high and these blocks would be sought after, especially the river front blocks, however the potential upside would be at its highest if additional approval could be gained for subdivision into residential sized lots.

Considerable development has taken place in the area putting pressure on council to bring forward possible rezoning of the block. Even though PF2 only has a small holding in the Joint Venture the potential upside is strong in the medium to long term.

## **3. Residential property in Toowoomba.**

The Company has a 50% interest in 8 contiguous properties comprising houses and flats in the central area of Toowoomba.

These properties are strategically positioned on the main thoroughfare through the city in a good location approximately 5kms from the city centre. They have substantial future upside and have the potential for multiple rezoning possibilities. While these possibilities are unlikely to be realised for a couple of years there is considerable potential upside in holding these properties for that time.

The properties were valued by two independent valuers in June 2008. There was a difference between the two valuations but both showed an increase in the value of the properties. The average of the two valuations resulted in an increase in the value of the properties by \$326,130, the Company's share being \$163,065.

The listing of the company on the NSX has not produced the expected liquidity to shareholders and has in fact driven down the share price, however the real value of the company, its NTA, was sitting at an audited value of 67.45 cents per share at 30 June 2008.

The next milestone for the company will be the receipt of its proceeds from the sale of the joint venture property at Tennyson.

With these additional funds soon to be available to the company, as Chairman, I have been considering ways to increase the activities of the company, including seeking out new acquisitions, finding joint venture partners who are actively taking advantage of current conditions and who have considerable experience in delivering profits, the potential to raise additional working capital and drive the company to be more proactive in acquisition, development and sales of assets, as well as securing our current assets and their value.

Expansion of the company could take advantage of its listed position on the NSX and provide a sounder base for its future.

We believe that there are potential bargains to be had in the market that have good long term potential.

I am genuine in my belief that the assets of the company are of a very high quality and, especially with the substantial reductions in costs the company is in a very strong position.

With the assets we are holding it is now a waiting game until such time as they can be taken to their highest and best use. The potential upside at this time is considerable and although it may be a little while until that is possible we believe it will be well worth the wait.

So while this has been a year of consolidation it has paved the way for future profit and growth and I look forward to seeing that occur.

**Peter Spann**  
**Executive Chairman**