



19 November 2008

Dear Fellow Shareholder in Property Fox

We are writing to you to ask for your help in changing the management of Property Fox No. 1 Limited (Property Fox).

Recently you will have received further correspondence from Peter Spann and Howard Woolcott in regard to Property Fox.

We have all purchased shares in Property Fox to make money. The reason we have not made money is due to the poor management of the company.

Neither Peter Spann nor Howard Woolcott have explained why Property Fox shareholders have seen the market value of their investment fall by 81 percent, or why shareholders in Property Fox No. 2 Limited have seen the market value of their investment fall by 72.5 percent.

Property Fox has not made a profit since 2004, and Property Fox No 2 Limited has not made a profit since its incorporation. Here is a summary of these companies' results.

Property Fox No. 1 Limited	
Financial year ended	Profit / (loss)
30 June 2008	(358,588)
30 June 2007	(197,310)
30 June 2006	(849,140)
30 June 2005	(647,188)
30 June 2004	445,149

Property Fox No. 2 Limited	
Financial year ended	Profit / (loss)
30 June 2008	(31,123)
30 June 2007	(248,889)
30 June 2006	(236,625)
30 June 2005	(267,112)

In his letter to shareholders, Mr. Spann refers to the international banking crisis. He seems to be saying that this is the reason for the company's appalling performance.

The real reason that the company has performed so badly is because it has been so poorly managed.

At the last annual general meeting of Property Fox we sought to change the company's management. You may recall that Mr. Martin Krawitz spoke out strongly in support of Mr. Spann, but less than three months later he sold his shares back to the company. At the time Mr. Krawitz was also a director of Fox Invest Limited, but he resigned as a director on 31 January 2008.

We are again seeking to change the company's management, and we have asked Property Fox to put a number of resolutions to shareholders at the annual general meeting, including resolutions to remove Peter Spann and Jodie Morris as directors of the company.

### **Why you should remove Jodie Stainton as a director**

Jodie Stainton has been a director of Property Fox since 30 November 2006.

Peter Spann says *"we need Jodie to help us sell the properties for maximum value. Her real estate knowledge and enthusiasm has been invaluable"*.

Over the last two years Jodie has had ample opportunity to sell the company's properties for maximum value.

Clearly she has not done so, and the last two financial years have seen the company incur cumulative losses of \$555,898.

It's time for Jodie to go.

### **Why you should remove Peter Spann as a director**

Peter Spann has been a director of Property Fox since its inception. During this period the company has lost a total of \$1,934,787.

Mr. Spann claims to be an expert in property investment. However the returns for both Property Fox and Property Fox No. 2 Limited raise questions as to his expertise.

In his letter to shareholders, Howard Woolcott states *"our focus over the past two years has been on making operations simpler, cutting costs and seeking investments that would quickly restore value to shareholders"*.

This statement is really a criticism of the complex and costly management of the company by Peter Spann.

Mr Woolcott makes the further statement that *"Peter Spann has pushed us hard as Directors during the past year to come up with strategies and investments"*.

This is an admission that Peter Spann has no strategies or investments for the company, and is looking to the other directors for suggestions.



Good corporate governance requires that the managing director is answerable to the board. Here it appears that the board is answerable to the managing director.

The board of Property Fox says that shareholders should not remove Peter Spann from office because “*Property Fox No 1 carries out joint ventures with Property Fox No. 2 and other associated companies. Mr Spann is a direct link to those companies and maintaining harmonious relations with them.*” This is however one of the reasons why shareholders should remove Mr. Spann as a director. He, as well as the other directors of Property Fox, have a hopeless conflict of interest when dealing with transactions that involve Property Fox and Property Fox No. 2 Limited.

It’s time for Peter to go.

### **Why you should elect Steven Pritchard as a director**

Steven Pritchard represents the largest A Class shareholders of Property Fox.

Unlike the current directors of Property Fox, these shareholders have invested their own money in Property Fox and are determined to see it make a profit.

In his letter to shareholders, Peter Spann says that “*Stephen has caused havoc on just about every public board he has served on – just check the records*”.

What records are these?

A copy of Steven Pritchard’s resumé is attached for your consideration.

### **Why you should elect Enzo Pirillo as a director**

Enzo Pirillo will bring a strong background in accounting and financial management to the board of Property Fox.

Given the cumulative losses that Property Fox has sustained, accounting and management skills have clearly been lacking.

A copy of Enzo Pirillo’s resumé is attached for your consideration.

### **Why you should elect Gordon Elkington as a director**

Gordon Elkington has had many years’ experience as a public company director and as an investor in his own right.

In his letter to shareholders Peter Spann describes Gordon Elkington as “*a greenmailer*” and “*a serial pest*”.

The fact is that Gordon Elkington has a long history of working to support the interests of minority shareholders. He has from time to time taken legal proceedings directed towards protecting those interests.

A copy of Gordon Elkington’s resumé is attached for your consideration.

## **Why you should not re-elect Jodie Stainton as a director**

The reasons why you should vote against the re-election of Jodie Stainton are the same as the reasons why you should vote for her removal.

## **Why you should vote against the share buy back**

Peter Spann claims that the directors of Property Fox “*want to return your cash to you*”.

What Peter Spann does not tell you is that the share buyback will result in an increase in his voting power in the company from 20 percent to approximately 34 percent, without his having to make a takeover offer for all of your shares.

If Peter Spann was serious about treating all shareholders fairly, he would be proposing a capital reduction rather than a share buyback. A capital reduction would maintain shareholders’ relative voting rights.

Shareholders should realise that the maximum amount they will receive in any event under the share buyback will be the equivalent of 22.5 cents per share.

## **Proxies**

If you are not able to attend the meeting, we urge you to complete your proxy and return it to Link Market Services Limited by 12.00 noon on Wednesday 26 November 2008. *We would recommend that your proxy be faxed to Link on 02 9287 0309.*

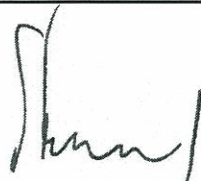
If you have already lodged a proxy, and wish to change it you can do so by lodging a replacement.

Enclosed is a pro forma proxy form indicating how we recommend shareholders vote.

Should you have any questions or concerns, please feel free to telephone either myself or Enzo Pirillo on 02 4920 2877 or Gordon Elkington on 02 8223 5100.

Yours sincerely

**PRITCHARD EQUITY LIMITED**



**STEVEN PRITCHARD**  
**DIRECTOR**

**Steven Pritchard, B. Com., C.P.A., F. Fin.**

Steven Pritchard obtained a Bachelor of Commerce degree from the University of Newcastle in 1986, and qualified as a Certified Practising Accountant in 1988.

He has been providing investment advice as a representative of a licensed dealer in securities since 1988.

He became a director of Rees Pritchard Pty. Limited, Certified Practising Accountants, in 1989.

He completed the Graduate Diploma in Applied Finance and Investment and was admitted as an Associate of the Securities Institute of Australia in 1993.

In 1996 he was admitted as a member of the Stock Exchange of Newcastle Limited (NSX) and was instrumental in establishing Pritchard & Partners Pty. Limited. That company provides investment advice to clients of Rees Pritchard Pty. Limited.

Steven Pritchard was a director of NSX from 1996 to 2003, and Chairman from 2000 to 2003. Over that period he was responsible for developing a strategic plan which saw the renaissance of NSX as a capital market for small, medium and regionally based companies.

In 2002 he was responsible for the establishment of Cameron Capital Limited, which acquired the ASX Participating Organisation Cameron Stockbrokers Limited.

In 2003 he was appointed to the board of Winpar Holdings Limited, which was the first company to list on the rejuvenated NSX.

In 2004 he was jointly responsible for a successful capital raising for Illuminator Investment Company Limited and its listing on NSX. Illuminator was the first Newcastle based company to list on NSX.

He is a director of Florin Mining Investment Company Limited, which undertook a capital raising and listed on NSX in 2005.

Steven Pritchard is the chairman of Pritchard Equity Limited, which undertook a capital raising and listed on NSX in 2006. Pritchard Equity Limited is a substantial shareholder in Cameron Capital Limited.

He is a past Branch Councillor and Chairman of C.P.A. Australia, and received the Presidents Award in 2000 for outstanding contributions to C.P.A. Australia.



**Gordon Bradley Elkington, B. Sc., M. Sc., Ph. D., LL.M.**

Gordon Elkington is a Barrister of the Supreme Court of New South Wales and has been a successful private investor for many years.

He is a director and company secretary of Winpar Holdings Limited and Stokes (Australasia) Limited, a director of Pritchard Equity Limited, and a member of the New South Wales Legal Qualifications Committee.

He was formerly a Senior Lecturer in Law, and earlier a Lecturer in Pure Mathematics at the University of Sydney.

**Enzo Pirillo, B. Com., C.P.A., F. Fin.**

Enzo Pirillo obtained a Bachelor of Commerce degree from the University of Newcastle in 1994, and qualified as a Certified Practising Accountant in 1996.

He was an authorised representative of Pritchard & Partners Pty. Limited from 7 March 2002 to 10 March 2004.

In 2004 he completed the Graduate Diploma in Applied Finance and Investment, and was admitted as an Associate of the Securities Institute of Australia.

Enzo Pirillo has worked in a number of senior accounting positions in both public practice and commerce.

He was appointed a director of Rees Pritchard Pty. Limited and Pritchard & Partners Pty. Limited in 2007.

He is currently a director, the financial controller and company secretary of Cameron Capital Limited.

If you would like to attend and vote at the Annual General Meeting, please bring this form with you. This will assist in registering your attendance.



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I/We being a member(s) of Property Fox No.1 Limited and entitled to attend and vote hereby appoint

**A** the Chairman  
of the Meeting  
(mark box)

☐

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy

Steven Pritchard

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following instructions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of the Company to be held at 12:00pm on Friday, 28 November 2008, at Freeman Fox Boardroom at Level 21, 333 Ann Street, Brisbane 4000 and at any adjournment of that meeting.

Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using this form an additional form of proxy is available on request from the share registry. Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. The Chairman of the Meeting intends to vote undirected proxies in favour of items 1,2 and 8 and against for items 3,4,5,6 and 7.

**B** To direct your proxy how to vote on any resolution please insert ☒ in the appropriate box below.

**Resolution 1**

Adoption of Remuneration Report  
(non-binding vote)

For	Against	Abstain*
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**Resolution 5**

Election of Steven Pritchard as a Director

For	Against	Abstain*
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Resolution 2**

Approval of Share Buyback

For	Against	Abstain*
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**Resolution 6**

Election of Enzo Pirillo as a Director

For	Against	Abstain*
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Resolution 3**

Ordinary Resolution to Remove Director  
– Jodie Morris

For	Against	Abstain*
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Resolution 7**

Election of Gordon Elkington as a Director

For	Against	Abstain*
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Resolution 4**

Ordinary Resolution to Remove Director  
– Peter Spann

For	Against	Abstain*
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Resolution 8**

Re-election of Jodie Stainton (nee Morris)

For	Against	Abstain*
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**C SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED**

Securityholder 1 (Individual)

Joint Securityholder 2 (Individual)

Joint Securityholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the securityholder's constitution and the Corporations Act 2001 (Cwlth).

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