

5th August 2010

The Manager  
NSX Announcements  
National Stock Exchange of Australia  
Level 2  
117 Scott Street  
Newcastle NSW 2300

**RE: PF 2 Update**

**1. Completion of Compulsory Acquisition**

The Board of Property Fox No.2 Limited refers to previous announcements in relation to the compulsory acquisition of Property Fox No.1 Limited.

Property Fox No.2 Limited is now pleased to advise that the compulsory acquisition process has been completed and Property Fox No.1 Limited, as at 30 June 2010, was a wholly owned subsidiary of Property Fox No.2 Limited. As a result of the compulsory acquisition, the issued capital in Property Fox No.2 Limited now consists of 5,980,620 Fully Paid A Class Shares. As part of the compulsory acquisition, Property Fox No.2 Limited purchased the 1.25 Million Ordinary Shares held by Fox Portfolio Pty Limited (a company associated with Mr P Spann) in Property Fox No.1 Limited for \$1,000.00.

**2. Execution of Loan Agreement**

The Board of Property Fox No.2 Limited, via its wholly owned subsidiary Property Fox No.1 Limited, has received an offer to finance up to \$250,000.00 in loan finance. This is a short term loan facility that Property Fox No.2 Limited is enacting to enable it to complete the proposed capital raising announced today. The terms of the Loan Agreement are as follows:

- \$250,000.00 maximum principal sum
- Interest at 15% per annum
- Repayable within six months
- Secured against mortgages taken over Property Fox No.1 Limited Vine Street units in favour of the lender.

**3. Termination of Fox Portfolio Pty Ltd Management Contract and New Management Contract with Woolcott Corporate Development**

The costs of operating a listed public company are high and our Company is no exception despite the fact that Fox Portfolio Pty Ltd, a Company owned by our Chairman Mr. Peter Spann, has been conducting the management affairs for both the Company and PF No 1 for a reduced fee of \$12,000 per annum each. Fox Portfolio Pty Ltd is unable to continue subsidising the originally agreed fees and it was not reasonable for us to expect this would continue. During the three year period that reduced fees have been paid the combined saving for both the Company and PF No 1 was well over \$450,000 incl. GST. The Board has negotiated the termination of both agreements and sought independent expert advice on the value of the contracts, which had many years to run. Based on the value advised in the independent expert reports that were obtained, termination payments significantly below the values detailed in the reports have been accepted by Fox Portfolio Pty Ltd being \$120,000 for the Company's contract and \$200,000 for the PF No 1 contract. Fox Portfolio Pty Ltd has agreed to reinvest these monies into the Company..

The Board then sought three quotes to replace the Administration and Management contracts previously in place with Fox Portfolio Pty Ltd and the lowest of these quotes was from Woolcott Corporate Development Pty Limited, a company associated with Howard Woolcott, an executive director of the Company. The contract is not a long term one and is for a period of three years only. The fee payable under the contract is \$82,500 per annum plus GST, which will provide an overall saving of more than \$175,000 per annum had the Fox Portfolio Pty Ltd contracts reverted to their original conditions.

Yours faithfully

**PROPERTY FOX NO.2 LIMITED**



Andrew Whitten  
Company Secretary