



AUSTRALIAN PROPERTY SYSTEMS LIMITED

ACN 096 925 610

Registered Office: Level 22 333 Ann Street Brisbane Qld 4000

Postal Address: GPO Box 888 Brisbane Qld 4001

Telephone: 07 3234 8988 Facsimile: 07 3221 7431

14th June 2012

Dear Shareholder

Your Company's Future

The directors have been considering possible future courses of action for APSL and wish to consult shareholders for their views. We are doing this because any action taken will only succeed with a reasonable measure of shareholder support.

Current Position

APSL's current situation is precarious both financially and commercially. Efforts to establish a viable business have failed with the result that shareholders' funds and cash reserves have been depleted; without further funding APSL cannot survive.

All of this is as detailed in statutory reports lodged with the ASIC (and, before listing was suspended, with the NSX) and sent to shareholders. We have recently lodged our statutory half-year review report for the period ended 31 December and take this opportunity to send that to you now with this letter.

That APSL is still solvent and in a position where it can contemplate relaunching its proprietary titling system, with a view to establishing a viable business, is in large part due to the significant support it has received, over an extended period, from director Geoff Thomas and his investment company Presidential Capital Pty Ltd. The rest of the board would like to put on record - for themselves and on behalf of shareholders - their thanks for this very considerable support.

Interim Funding

You should be aware from our most recent financial report (for the half-year ended 31 December) that the company has recently received loan funding of \$420,000 from Presidential Capital Pty Ltd. Presidential Capital Pty Ltd is a substantial shareholder and, with approximately 40% of the issued equity, is by some way the company's most significant investor.

This loan means that the company is in a position - should the board decide - to proceed with a rights offer and implement the proposed business strategy (as outlined below) and to meet necessary costs involved in doing so.

Board Composition

Currently the board comprises Geoff Thomas (who is based offshore) plus Stephen Jones and James Whitelaw who are respectively a practising lawyer and a practising accountant. All three directors are non-executive. Geoff Thomas, due to his role in ensuring the company's financial survival to date, has taken no part in discussions relating to loan funding provided by his investment company Presidential Capital Pty Ltd.

The board has recently been in discussion with two experienced candidates for their possible appointment to the board and has reached agreement in principle with both for them to become directors in the near future; appointment is in each case subject to certain outstanding matters including the outcome of the shareholder consultation now being undertaken.

The two individuals concerned are both well known to the current directors and would in their view strengthen the board very considerably with wide-ranging commercial and managerial experience and expertise as well as personal contacts; it is intended that (subject to the matters referred to above) they would act in a part-time capacity as non-executive chairman and managing director respectively.

The board would therefore comprise a part-time managing director (as the sole executive member) together with the non-executive directors under the direction of one of the proposed new members as chairman. It is considered that the board, as so constituted, would have an appropriate range and mix of personal experience and expertise as well as an enhanced network of personal contacts.

Business Review & Formulation of Strategy

In discussions to date with these two candidates the directors have developed an outline strategy for establishing the company's business and commercialising its proprietary titling system for the benefit of shareholders. A basic financial model has also been developed to facilitate business planning and identify funding requirements.

These developments follow a high-level review of the company's position and possible options for the future. Options considered include the following:

- Possible sale of the company's assets - not judged financially viable in circumstances where the company's proprietary titling system has not yet been commercialised; and
- Winding-up.

The strategy proposed involves the establishment of a joint venture with property development companies in relation to certain suitable development projects. Positive discussions have been held (but not yet concluded) with one such company, and projects have been identified as potentially suitable for initial roll-out of the company's proprietary titling system.

It is anticipated that these discussions, if successfully concluded and subject to funding as outlined below, would establish initial cashflow and put the company on a path to becoming cashflow-positive around December 2013. Naturally, achievement of this result depends on the necessary level of shareholder support, quite apart from successful implementation of the proposed business strategy itself.

Management & Operation

During the establishment phase (which would run at least to December 2013 and most likely for a period beyond) APSL would operate on a 'minimum cost' basis with all essential functions (managerial as well as administrative) outsourced to third parties and very little direct overhead.

Operational management would be delegated to the proposed new part-time managing director reporting to the board; the board would convene formally on regular basis.

Funding Requirement

Against this background funding is required by the company as follows:

- o \$420,000 to repay the existing loan owed to Presidential Capital Pty Ltd and restore the balance sheet; and
- o Up to \$500,000 as working capital – which it is expected would fund operations through to December 2013 at which point it appears reasonable to expect that the business as conducted (ie on the leanest possible basis) would be capable of sustaining itself from internal cashflow and seeking follow-on equity (as required) at an improved valuation.

For fundraising purposes, therefore, the board believes that a total minimum subscription of \$800,000 is likely to be required.

Funding Options

APSL needs new equity. Equity could theoretically be provided by new investors, but the directors do not believe that is realistic pending successful commercialisation and establishment of a viable business, and this view has also been confirmed through enquiries made within their own networks by the proposed new board candidates.

This means that the only viable course of action for the company is to look to its current shareholders who therefore have the choice of either:

- o Supporting the company and safeguarding their current investment; or
- o Walking away - with likely total loss of investment for all concerned.

Proposed Course of Action

In light of the above the board is considering a rights issue to raise around \$920,000 with a minimum subscription of \$800,000. It is proposed that any rights offer would be renounceable so as to give each shareholder the opportunity to 'place' shares with third parties known to them as an alternative to taking them up directly.

A minimum subscription of \$800,000 equates to 1.54c per share and to \$8,000 for each 1% of the issued share capital held. For a rights offer to succeed each shareholder would have to take up his shares or find a third party (or more than one) to do so instead; alternatively, to the extent of any shortfall, the shares not taken up in this way would have to be taken up instead by any shareholder who had already taken up his own full entitlement and was willing to subscribe further. Ideally, of course, any rights offer would be underwritten, but the board does not believe it is realistic to expect that could be achieved.

These matters have implications for the structure (as well as the terms) of the rights offer that the board is considering. The directors would prefer not to rely unduly on a single source of investment funds and, instead, to be able to attract significant support from as many shareholders as possible – which is why we are canvassing the opinions of shareholders and seeking their in-principle support now.

To protect the reputation of APSL and its officers, the board believes that in order to advance potential joint ventures with property development companies, the company (APSL) would need to be financially stable. Ongoing discussions can certainly continue, however a successful rights issue would be a pre-condition to advancing to even MOU stage.

Other pre-conditions would include board changes and finalisation and adoption of business plan – again as outlined above.

Shareholder Consultation

In order to arrive at a decision on the proposed rights offer the board is seeking the views of shareholders both generally and on certain specific questions – these are indicated on the form attached which has been included to make it as easy as possible for you to reply and to ensure some consistency of format for the directors in assessing views expressed.

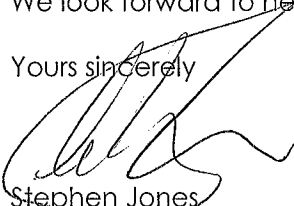
Please therefore complete the form attached and return it (as indicated on the form) as soon as possible to reach us (in any event) on or before Wednesday 27 June 2012.

You should also note the following points:

- o Completing and returning the form will not create any binding commitment on your part – only an expression of likely intention subject to the actual terms of any rights offer; and
- o Your reply will be treated as confidential and will not be attributed to you (or otherwise divulged in a way that would enable it to be attributed to you) without your consent.

We look forward to hearing from you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stephen Jones', written over the printed name.

Stephen Jones
Non-executive director
for & on behalf of
Australian Property Systems Ltd

To Shareholders in Australian Property Systems Ltd

This form refers to the letter from the company dated 14th June 2012 and is for completion by shareholders. Answers given will be treated in confidence (as indicated in the letter referred to) and will not commit you in any way.

Question / Issue

Note / Comment

Please write 'yes' or 'no' in the box opposite each question to indicate your response.

- | | | |
|--|---|--------------------------|
| 1. Are you, in principle, in favour of the plan outlined in the letter subject to funding? | <i>The alternative to the plan is likely total loss of investment.</i> | <input type="checkbox"/> |
| 2. Are you, in principle, in favour of the rights offer proposal outlined in the letter? | <i>A rights offer seems the only viable option unless (unlikely) a cornerstone new investor can be found.</i> | <input type="checkbox"/> |
| 3. Do you know anyone who is not already a shareholder but who may be interested in investing in the company? | <i>This could include retail investors as well as (ideally) a new cornerstone investor.</i> | <input type="checkbox"/> |
| 3. Do you agree that any rights offer should be renounceable as suggested in the letter? | <i>This will allow you to choose who shares go to if you do not take them up yourself.</i> | <input type="checkbox"/> |
| 4. Would you be in favour of underwriting in the unlikely event of underwriting being available? | <i>Underwriting could result in a concentration of ownership if take-up is low generally.</i> | <input type="checkbox"/> |
| 5. Would you be willing in principle to invest under any rights offer? | | <input type="checkbox"/> |
| 6. Would you be likely to take up your full entitlement at an indicative offer price of 1.54c per share? | <i>Please ignore this question if you answered 'no' to question 5 above.</i> | <input type="checkbox"/> |
| 7. Would you be likely to want to want to take up more than your full entitlement at an indicative offer price of 1.54c per share? | <i>Please ignore this question if you answered 'no' to question 6 above.</i> | <input type="checkbox"/> |

Please return your completed form to APSL to reach us on or before Wednesday 27th June as follows:

- o **E-mail:** chris@hmw.com.au
- o **Fax:** 07-3221-7431
- o **Post:** GPO box 888, Brisbane, Queensland 4001

Please also complete shareholder details below

Name of shareholder:

Signature of shareholder or officer:

Name of person signing if not shareholder:

E-mail address:

This will help us communicate with you electronically for ease of administration and will help us minimise costs.