

18 March 2008

Hello

As promised at our AGM, here is our Shareholder Update for Property Fox No.1 Limited.

As you will know our stated goal is to continue to invest in real estate with a preference for commercial located in SE Qld. All other options that are available to us under the investing mandate of the Company can be explored as well.

Quality properties with good yield are hard to find and are usually snapped up quickly putting us at a disadvantage considering the due diligence necessary for purchase in a public company. Private investors are able to act quicker to take advantage of opportunities.

However with rising interest rates spooking investors in all sectors property prices are unsteady.

This may actually work to your benefit over the coming months.

As we continue to seek a quality commercial property or properties to invest in prices are softening which means yields are starting to creep up. Many vendors are starting to become more realistic in the pricing expectation. This coupled with fewer purchasers should produce favourable buying conditions in the next few months.

Three properties have been assessed in detail since the beginning of February 2008. Two were sold prior to an offer being made. One was found to be unsuitable. We will continue to search for a suitable property or properties to invest in. Given the continual falls in the share market we believe that property is still a good investment.

If we are unable to secure a suitable property by the end of the financial year Directors will canvass shareholders views on alternative options for the company. One of these alternatives may be to seek shareholder approval to wind up the company and distribute the capital back to all shareholders.

I have enclosed a copy of the Company's Financial Statements and Review Report for the six month period ended 31st December 2007.

Our goal was to, while continuing to seek investment grade commercial property, reduce the overall cost to the Company's operation. I am pleased to report that we have saved \$56,341 in this 6 month period over the corresponding period last year. The result for the six month period was a loss \$113,209 compared to a loss of \$169,550 in the previous corresponding period.

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A considerable amount of this loss came from the legal and registry costs involved in defending the Company from unsuccessful motions by minority shareholders at the Annual General Meeting. The majority of these costs would have been avoided if the action by minority shareholders did not proceed. Shareholder disputes such as this cost the company valuable time and money and detract from the real business of running the company in the best possible way to restore shareholder wealth. Without these costs losses would have been contained to less than \$65,000 and expenses will be considerably reduced this year due to the reduction in management fees.

I think that the results of the vote were emphatic. Not only was there a majority from the votes but also a majority (74%) of shareholders even without my shares being counted. I believe this gave a clear mandate to the Directors of the Company to get on with the business of running the Company and executing the plan as laid out previously.

Also I think it is important for minority shareholders, especially those who have bought in at low prices to realise the will of the majority of shareholders, understand the majority of shareholders support the current Directors and their plan to restore value and profitability to the Company and allow them the opportunity to get on and do that.

Any further attempts to disrupt this plan will be expensive, time consuming, erode shareholder value and profits further and will NOT be in the best interests of the Company.

I would like to thank the majority of shareholders for their overwhelming support and assure all shareholders that I and my fellow Directors will be working hard in the best interest of all.

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 with management fees now reduced to \$12,000 per annum.

The Company continued to pursue the sale of its four remaining home units in the Sydney suburb of Fairfield but to date has not been successful in securing a buyer. Interest in this area has been subdued for many months and increases in interest rates will make it difficult to secure sales quickly as home buyers in that area, in particular, are significantly affected. An offer was made on one of the properties but this has not yet resulted in a contract being signed. As a result, the directors sought a further independent opinion on the values of those four units and have concluded their value to be between \$190,000 and \$200,000 each. The current book value is \$195,000 each. As the Company treats the properties it owns as inventory in its accounts, the values are shown at the lower of cost or net realisable value and therefore we have written down the value of each unit by \$5,000.

There has been 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. The Company's share of the increased value of the properties in Toowoomba more than offsets the write down in the value of the Sydney home units.

There have been further on-market buy-backs of the Company's shares and at the date of this report the Company had on issue 4,543,001 "A" class shares.

The management accounts of the Company presently show that the net tangible assets are \$2,993,000 (after an adjustment to reflect the market value of the Toowoomba properties) and using the current number of shares on issue, this results in an adjusted and unaudited NTA of 63 cents per share for the “A” class shares. The 1,250,000 ordinary shares of the Company do not share in capital value.

We will continue with our stated plan and will keep you up to date with any progress.

Sincerely



Peter Spann
Chief Executive Officer



A.C.N. 101 816 353

Property Fox No 1 Limited

**Financial Statements and Review Report
For the period ended 31 December 2007**

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**PROPERTY FOX NO.1 LIMITED
A.C.N. 101 816 353
AND CONTROLLED ENTITIES**

DIRECTORS' REPORT

Your directors present their report on Property Fox No.1 Limited for the half-year ended 31 December 2007.

Directors

The names of directors in office at any time during or since the end of the year are:

- Peter John Spann
- Howard Woolcott
- Jodie Stainton

Review of Operations

The consolidated entity was active in pursuit of its principal activities during the period. The net loss for the consolidated entity for the half year ended 31 December 2007 before income tax amounted to \$113,209 compared to \$169,550 for the same period in the previous year.

Auditors Independence Declaration

The 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.

Signed in accordance with a resolution of the Board of Directors:

A handwritten signature in black ink, appearing to read 'H. Woolcott', is written over a light blue rectangular background.

Howard Woolcott
Director

Dated this 14th day of March 2008

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF
THE CORPORATIONS ACT 2001**

To the Directors of Property Fox No.1 Limited

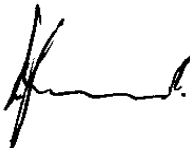
I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2007 there have been:

- (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.

This declaration is in respect of Property Fox No.1 Limited and the entities it controlled during the half year.

PKF

Chartered Accountants

**Wayne Wessels**

Partner

Dated at Brisbane this 14th day of March 2008

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**CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

		Consolidated Entity	
	Note	31 Dec 2007	31 Dec 2006
		\$	\$
Continuing operations			
Sales revenue			
- Sale of properties	2	1,200,000	-
Cost of sales			
- Sale of properties	2	(1,196,400)	-
Gross margin from sale of properties		3,600	-
Other revenue	2	91,489	117,820
Management fees- related party		(12,000)	(61,285)
Directors' fees		(12,600)	(6,475)
Company secretarial fees		(15,750)	-
Share registry fees		(16,290)	-
Professional fees		(67,773)	(12,937)
Impairment of inventory		(20,000)	-
NSX listing fees		-	(25,233)
Rates and taxes		(24,529)	(79,820)
Repairs and maintenance		(1,306)	(9,190)
Advertising expenses		-	(2,200)
Interest expense		(18,561)	(78,420)
Other expenses		(19,489)	(11,810)
Loss before income tax		(113,209)	(169,550)
Income tax benefit		-	-
Loss from continuing activities after income tax		(113,209)	(169,550)
Loss attributable to members of the parent entity		(113,209)	(169,550)
Basic loss per share (cents per share)		(2.27)	(3.59)
Diluted loss per share (cents per share)		(2.27)	(3.59)

The above consolidated Income Statement is to be read in conjunction with the attached notes.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Consolidated Entity	
	31 Dec 2007	30 Jun 2007
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	1,614,136	1,279,887
Trade and other receivables	34,879	102,217
Inventory	1,463,276	2,649,111
TOTAL CURRENT ASSETS	3,112,291	4,031,215
NON-CURRENT ASSETS		
Other financial assets	353,499	353,499
TOTAL NON-CURRENT ASSETS	353,499	353,499
TOTAL ASSETS	3,465,790	4,384,714
CURRENT LIABILITIES		
Trade and other payables	77,243	63,919
Other financial liabilities	446,250	1,166,250
TOTAL CURRENT LIABILITIES	523,493	1,230,169
TOTAL LIABILITIES	523,493	1,230,169
NET ASSETS	2,942,297	3,154,545
EQUITY		
Contributed equity	4,631,311	4,730,350
Accumulated losses	(1,689,438)	(1,576,229)
Parent equity interest	2,941,873	3,154,121
Minority interest	424	424
TOTAL EQUITY	2,942,297	3,154,545

The above Consolidated Balance Sheet is to be read in conjunction with the attached notes

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

Consolidated Entity	Contributed Equity \$	Accumulated Losses \$	Minority Interest \$	Total \$
Balance at 1 July 2006	4,730,350	(1,378,919)	424	3,351,855
Loss attributable to members of Parent entity.	-	(169,550)	-	(169,550)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006	<u>4,730,350</u>	<u>(1,548,469)</u>	<u>424</u>	<u>3,182,305</u>
 Balance at 1 July 2007	 4,730,350	 (1,576,229)	 424	 3,154,545
Loss attributable to members of Parent entity.	-	(113,209)	-	(113,209)
Share buy back	(99,039)	-	-	(99,039)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2007	<u>4,631,311</u>	<u>(1,689,438)</u>	<u>424</u>	<u>2,942,297</u>

The above consolidated statement of changes in equity is to be read in conjunction with the attached notes

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

Consolidated Entity

	31 December 2007	31 December 2006
	\$	\$
Cash flows from operating activities		
Cash received from customers	1,263,502	123,862
Payments to suppliers	(184,494)	(236,275)
Interest paid	(16,881)	(78,420)
Interest received	42,604	3,844
	<hr/>	<hr/>
Net cash provided by/(used in) operating activities	1,104,731	(186,989)
	<hr/>	<hr/>
Cash flows from investing activities		
Payment for investments	-	-
Loans from Director related parties	48,557	128,629
	<hr/>	<hr/>
Net cash provided by investing activities	48,557	128,629
	<hr/>	<hr/>
Cash flows from financing activities		
(Repayment of)/Proceeds from borrowings	(720,000)	-
Share buy back	(99,039)	-
	<hr/>	<hr/>
Net cash used in financing activities	(819,039)	-
	<hr/>	<hr/>
Net increase / (decrease) in cash and cash equivalents	334,249	(58,360)
Cash and cash equivalents at the beginning of the financial period	1,279,887	197,376
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial period	1,614,136	139,016
	<hr/> <hr/>	<hr/> <hr/>

The above consolidated statement of cash flows is to be read in conjunction with the attached notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

Note 1:

Corporate Information

The financial report of Property Fox No 1 Limited for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 14th of March 2008. Property Fox No 1 Limited is a company incorporated in Australia and limited by shares.

Basis of Preparation

The half-year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards, including AASB 134 Interim Financial Reporting and other mandatory reporting requirements.

The half-year financial report has been prepared on a historical cost basis.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financial and investing activities of the consolidated entity as the full financial report.

The half –year financial report should 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.1 Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

a) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2007.

b) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Property Fox No 1 Limited and its subsidiaries as at 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

Note 2: Revenue and Expenses	Consolidated Entity	
	31 December 2007 \$	31 December 2006 \$
Specific Items		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:		
(i) Revenue		
Property Sale Revenue	1,200,000	-
Interest income	42,604	3,844
Other	48,885	113,976
	<u>1,291,489</u>	<u>117,820</u>
(ii) Expenses		
Cost of property sales	1,196,400	-

Note 3: Dividends

There were no dividends proposed or paid by the company during the half-year or in the preceding half-year.

Note 4: Segment Information

The company operates in the property industry acquiring, developing and selling parcels of developed residential real estate. The company operates in one geographical segment being Australia.

Note 5: Equity Share Buy Back

	2007 Shares	2006 Shares	2007 \$	2006 \$
Shares cancelled under share buy back plan	<u>178,999</u>	<u>-</u>	<u>99,039</u>	<u>-</u>

Note 6: Events Subsequent to Reporting Date

The Company owns 2% of the issued capital in Fox Riverside Pty Limited and is entitled to 5.95% 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 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 the investment at 31 December 2007 was \$250,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

Note 7: Contingent Liabilities

The company has a 30 percent interest in a joint venture with Property Fox No.2 Limited and Freeman Fox Investments Pty Limited.

As part of this joint venture, the company has entered into an agreement with Property Fox No.2 Limited to assist in the funding of the acquisition of the joint venture property situated in Toowoomba, Queensland. The total amount payable at 31 December 2007 under the joint loan agreement was \$1,190,000 and a liability of \$452,500 being the company's interest in the joint loan has been recorded and is included in other financial liabilities.

Under the terms of the loan facility, should Property Fox No.2 Limited be unable to meet its obligations under the loan facility agreement, the company will be liable for the full amount of the loan outstanding. The loan is secured by a first mortgage against the joint venture property which has a total carrying value of \$2,330,368 at 31 December 2007.

The Directors are not aware of any other contingent liabilities as at 31 December 2007.

DIRECTORS' DECLARATION

The directors of Property Fox No.1 Limited declare that the financial statements and notes set out on pages 1 to 9.

1. (a) Comply with Accounting Standard and the Corporations Regulations 2001: and
(b) Give a true and fair view of the consolidated 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 Property Fox No.1 Limited 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



Howard Woolcott
Director

Dated this 14th day of March 2008.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Property Fox No.1 Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Property Fox No.1 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, other selected explanatory notes and the directors' declaration for the consolidated entity. The consolidated entity comprises Property Fox No.1 Limited (the company) and the entities it controlled during the half year.

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 Engagements 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 consolidated entity'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.1 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 have complied with the independence requirements of the Corporations Act 2001.

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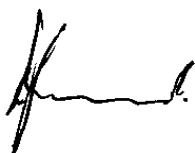
Conclusion

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.1 Limited is not in accordance with the Corporations Act 2001 including:

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

PKF

PKF
Chartered Accountants



Wayne Wessels
Partner

Dated at Brisbane this 14th day of March 2008