

4th September 2008

National Stock Exchange of Australia
Ground Floor 384 Hunter Street
Newcastle NSW 2300

BY E-LODGE MENT

To whom it may concern,

Re: Letter to Shareholders

Please find attached letter forwarded to shareholders today.

Yours faithfully,



Andrew Whitten
Company Secretary

Property Fox No.1 Limited

About Property Fox No.1 Limited

Property Fox No. 1 Limited is a real estate investment Company which has holdings in a range of residential properties in New South Wales and Queensland. Property Fox No. 1 Limited listed on the National Stock Exchange of Australia on 28 February 2007.

For additional information please contact the Company on +61-7-3031 9971

Property Fox No.1 Limited Forward - Looking Statements

This document contains forward-looking statements that reflect the Company's current expectations regarding future events. Forward-looking statements involve risks and uncertainties. Actual events could differ materially from those projected herein and depend on a number of factors including the success of the Company's marketing strategy, and various other uncertainties.

Mr XXXX
<Address>

4th September 2008

Dear Shareholder,

**TAKEOVER OFFER FOR PROPERTY FOX NO.1 LIMITED
DIRECTORS ADVISE SHAREHOLDERS TO TAKE NO ACTION**

In the next few days you will be receiving a Replacement Bidder's Statement lodged by Pritchard Equity Limited ("Pritchard Equity"). The Australian Securities and Investment Commission (ASIC) required Pritchard Equity to produce further disclosure by the lodgment of a replacement Bidder's statement, but the Board cautions shareholders to read it carefully.

The Board reiterates its earlier concerns with the offer by Pritchard Equity, namely:

- **There is no cash component**
- **The bid uses an unfair and biased valuation methodology which favours Pritchard Equity and disadvantages Property Fox No. 1 Limited.**
- **The nature of your investment will change to a higher risk, more concentrated portfolio if the Pritchard Equity offer proceeds**
- **Pritchard Equity's shares rarely if ever trade.**
- **Pritchard Equity's shares being offered are not all full voting shares and your voting rights will be considerably reduced. If successful, the current shareholders of Pritchard Equity would have considerable voting control over the company with the ability to singly outvote ALL other shareholders combined.**

Shareholders should wait for our Target's Statement before making a decision. Shareholders will be given more than sufficient time to properly consider Pritchard Equity's offer.

TAKE NO ACTION

Your Board will continue to keep you informed of key developments. In the meantime shareholders are advised to wait for the Target's Response which the Board will forward to shareholders shortly. This Target's Response will include an independent expert's report on the offer by Pritchard Equity Limited.

For further details please do not hesitate to contact the company on 07 3031 9950. All company announcements are available on the NSX website at www.nsx.com.au.

**Yours faithfully,
Peter Spann**



**Chairman
Property Fox No. 1 Limited**