

3rd October 2008

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

BY E-LODGE MENT

Dear Sir,

Re: **LODGM ENT OF NEW TARGET'S STATEMENT**

Please find attached:

1. Supplementary Target's Statement dated 3rd October 2008.
2. New Target's Statement dated 3rd October 2008, encompassing the changes made in the enclosed Supplementary.
3. Letter to Shareholders.

About Property Fox No.1 Limited

Property Fox No. 1 Limited is a real estate investment Company with property holdings 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 9950

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.

3rd October 2008

Dear Shareholders,

Please find enclosed a new Target's Statement dated 2nd October 2008.

This Target's statement contains additional information that may be valuable to you in assessing the bid from Pritchard Equity for Property Fox No.1.

We would like to thank the Australian Securities and Investment Commission (ASIC) for their assistance in this matter to further help shareholders in understanding and assessing the bid.

In order for the Directors to be fully informed and unbiased it is generally accepted that an Independent Expert should be engaged.

This further Target's Statement has been prepared by the Board of Property Fox No.1 and includes the report of VMC Global Pty Ltd, the Independent Expert. It is important to note that the Independent Expert has determined that the consideration being offered by Pritchard Equity Limited is **UNFAIR AND UNREASONABLE**.

In addition I would like to point out to you some of their conclusions which I believe have significant bearing on your decision...

The Independent Expert has concluded that the bid consideration is between 30-34 cents per share when Pritchard Equity Limited's consideration is valued.

The Independent Expert's Report also says that:

"Based on our quoted price of listed securities analysis, we have calculated the fair market value of the PFAA shares to fall within the range of \$0.50 to \$0.56 per share on an undiluted and fully diluted basis as set out in the table below."

"The orderly realisation of assets yields a secondary valuation of \$0.60 per share on an undiluted and fully diluted basis, which is 6.66% above our high range valuation calculated under the quoted price for listed securities valuation method."

With regards to Pritchard Equity they said:

"Based on our valuation of the issued securities in Pritchard Equity, we have calculated the consideration per PFAA share in Property Fox under the Offer on an undiluted basis to fall within the range of \$0.30 to \$0.34 per share (\$0.37 to \$0.42 on a fully diluted basis)."

Originally the Directors of PF1 valued the offer at 33c per share. The Independent Expert's view would confirm that valuation as being within the range of value, being \$0.30-\$0.34 per share.

This means that shareholders accepting the offer are effectively selling up to 60c in value for 30c to 34c – not a good deal for the shareholder.

The Independent Experts Report confirms the Director's Assertion that there are considerable disadvantages to shareholders if they accept the offer including:

- A Price Offered that is at a discount to the true value of your holding in PF1

- Lack of Liquidity in Pritchard Equity securities
- Diminution of Voting Power

The replacement Independent Expert's Report confirms the Director's view that you should REJECT the offer by simply doing nothing.

It is also important to note that the Independent Expert's Report should give confidence to the shareholders of PF1 that the valuations of the company's assets by stating:

"No matters have come to our attention to suggest that the written down value of Property Fox's investments are materially misstated."

Why the Original Target's Response was replaced

It is not unusual for supplementary statements to be issued. Pritchard Equity supplemented its original Bidder's Statement in the 14 day period allowed after review by ASIC. In a similar manner Property Fox No.1 has supplemented the original Target's Response to better inform you.

Shareholders should disregard the previous Target Statement forwarded to them and rely on the Target's Statement enclosed.

The original Independent Expert's Report has been replaced to ensure that the issuer holds an Australian Financial Services license. This is because the report offers "General Securities Advice".

More importantly this Target's Response actually contains additional information valuable to you in making your decision.

Shareholders should be aware that the new independent expert, VMC Global Pty Ltd has also determined that the offer by Pritchard Equity Ltd is UNFAIR AND UNREASONABLE and as such, directors of Property Fox No. 1 unanimously recommend that you reject the offer by Pritchard Equity Ltd to acquire your Property Fox No. 1 shares. To reject the offer, simply do nothing. Do not accept the offer for the reasons outlined in the Target's Statement.

We also enclose a document entitled Supplementary Target's Statement, this document simply documents the changes made to the previous Target's Statement.

If you have any further queries, please do not hesitate to contact the undersigned.

Yours faithfully,



Peter Spann
Managing Director