

**Property Fox No. 1 Limited
ACN 101 816 353**

Supplementary Target's Statement

**This Supplementary Target's Statement has been issued in
response to the off-market takeover bid made by
Property Fox No. 2 Limited for all the A class shares
in Property Fox No. 1 Limited**

**Your Independent Director recommends that you
ACCEPT
the takeover bid made by Property Fox No. 2 Limited**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES
YOUR IMMEDIATE ATTENTION.
IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE
PLEASE CONSULT YOUR SOLICITOR, ACCOUNTANT OR
OTHER PROFESSIONAL ADVISER.**

HWL EBSWORTH
LAWYERS

Legal Advisers

1. Important Information

1.1 Nature of this document

This document is a supplementary target's statement under section 644 of the *Corporations Act 2001* (Cth) (**Supplementary Target's Statement**). This Supplementary Target's Statement is dated 17 July 2009 and supplements the Target's Statement dated 3 July 2009 by Property Fox No.1 Limited (**PF1**) in response to the Bidder's Statement dated 22 May 2009 from Property Fox No.2 Limited (**PF2**).

This Supplementary Target's Statement is to be read together with the Target's Statement and prevails to the extent that there is any inconsistency between this Supplementary Target's Statement and the Target's Statement.

1.2 ASIC and the NSX

A copy of this Supplementary Target's Statement was lodged with ASIC and provided to the NSX on 17 July 2009. Neither ASIC, the NSX nor any of their officers takes any responsibility for the contents of this Supplementary Target's Statement.

1.3 Interpretation

Terms used in this Supplementary Target's Statement have the same meaning as in the Target's Statement unless provided otherwise in this Target's Statement or unless the context require otherwise.

1.4 Information line

If you have any questions in relation to the Offer, or in relation to anything contained in this Supplementary Target's Statement or the Target's Statement, please call (07) 3031 9971.

1.5 Professional advice

This Supplementary Target's Statement provides important information to assist PF1 A Class Shareholders in deciding whether to accept the Offer and should be read in its entirety. If, after reading this Supplementary Target's Statement, you have any questions, you should consult your professional adviser.

2. Risk factors

2.1 Introduction

PF1 A Class Shareholders who accept the Offer will receive PF2 A Class Shares as consideration for their PF1 A Class Shares and will be exposed to the same risks as existing PF2 A Class Shareholders.

PF1 A Class Shareholders should carefully examine the full contents of this Supplementary Target's Statement, the Target's Statement (in particular Section F) and the Bidder's Statement, consider the risk factors described below and consult their own advisors and seek all necessary financial, legal, tax and investment advice before deciding whether to accept the Offer.

The following summary is not intended to be an exhaustive list of the risk factors to which the PF1 A Class Shareholders will be subject if they accept the Offer.

2.2 General risks

(a) Economic conditions

General economic conditions, movements in interest rates and inflation, taxation and accounting practices and law, government legislation and policy, natural disasters, acts of terrorism or other hostilities may have an adverse effect on property values, operating costs and market conditions generally. Accordingly they may have an adverse effect on PF2's activities and potential future development which are beyond the control of PF2.

(b) Market conditions

The market price of PF2 A Class Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and, in particular, stocks listed on the NSX.

The Offer Consideration comprises solely of PF2 A Class Shares which are relatively illiquid.

Market conditions could affect the value of the Offer Consideration and the value of the investment of a PF1 A Class Shareholder who accepts the Offer.

(c) Government policies and legislation

PF2 may require certain government regulatory approvals for its projects or activities, which may from time to time affect the proposed timing, cost and scope of work to be undertaken.

Changes in relevant laws, interest rates, other legal, legislative and administrative regimes and government policies in Australia, may have an adverse effect on the assets, operations and ultimately the financial performance of PF2.

These factors may ultimately affect the market price of the PF2 A Class Shares.

(d) Other general risk factors

Other risk factors include those normally found in conducting business, including litigation resulting from breach of agreements or in relation to employees or any other cause, strikes, lockouts, loss of key management or operational personnel, non-insurable risks and other matters that may interfere with the business of PF2.

2.3 Specific risks

(a) Industry risks

There are certain risks inherent in the property industry. These include a fluctuation in interest rates, operation costs, the supply and demand for property and property prices generally.

The following significant risks should be taken into consideration:

- (i) variations between supply and demand in the real estate market could cause adverse fluctuations in real estate prices;
- (ii) a downturn in the property market could adversely affect the timing of the sale of properties and the prices at which properties are sold. In such circumstances, PF2 could incur increased interest and other holding costs;

- (iii) an increase in expenditure in respect of the properties as a result of:
 - (A) repair or refurbishment conducted in respect of structural defects or building deficiencies;
 - (B) an increase in the cost of building materials and labour;
 - (C) an increase in interest and financing costs; and
 - (D) an increase in holding costs;
- (iv) an increase in interest rates could result in PF2 incurring increased holding expenses including additional interest on borrowings;
- (v) property management issues could arise in relation to rent collection, disputes with building and other trade contractors and tenants' disputes;
- (vi) changes in the laws relating to property development and planning, the environment and taxation could adversely affect the profitability and viability of PF2; and
- (vii) delays and increases in holding and related costs may arise if town planning approval is required for any transaction. It is possible that the approval will not be granted or will be granted on unfavourable terms.

(b) Merger risk

Integrating two companies such as PF1 and PF2 may produce some risks, particularly in respect of integrating management, information systems and work practices. Greater than expected integration costs could have a material adverse effect on PF2. Whilst there may be certain synergy benefits that arise from the merger, the achievement of these synergies is not certain. The synergies may not be realised to their full extent or may be realised over a longer period of time than anticipated by PF2. This could have a material adverse effect on PF2.

The Offer is subject to a 64% minimum acceptance condition. This condition may be waived by PF2. Therefore a risk exists that the final level of ownership acquired by PF2 is less than 64%, which could have an impact on PF2's intentions regarding PF1 (for more information, refer to Section F of the Target's Statement).

(c) Financing

In order to proceed with the development of any of its projects, PF2 may be required to raise additional equity and/or debt capital in the future. There is no assurance that it will be able to raise such capital when it is required or that the terms of such financing will not be dilutive to PF1 A Class Shareholders who accept the Offer or that the terms associated with providing such capital will be satisfactory to PF2, which may prejudice its ongoing ability to conduct its activities.

In the event that PF2 fails to obtain sufficient financing when required, PF2 may be forced to delay or eliminate its future development activities, sell existing assets or reduce its operations.

(d) Dependence on key personnel

PF2's success depends to a significant extent upon its key management personnel, as well as other management personnel. The loss of the services of such personnel could have a material adverse effect upon PF2.

(e) Contractual arrangements

PF2 is party to a number of material contracts. Failure by any other party to a contract with PF2 to comply with their obligations could have a material adverse effect on PF2. PF2 may have to enter into litigation and incur legal expenses in respect of these material contracts.

Additionally, the failure by PF2 to finalise and execute contracts presently under negotiation or to finalise conditions arising under existing conditional material contracts could have a material adverse effect on PF2.

(f) Joint venture partners

Financial failure or default by any participant in a joint venture to which PF2 is a party may have a material adverse effect on PF2 insofar as it may have to bear that share of the joint venture costs which would otherwise have been borne by the relevant participant in the joint venture.

(g) Project delay

To the extent that construction and development activities are delayed in respect of any of the projects in which PF2 is engaged, this may affect the costs, timing and level of proceeds derived from PF2's business which may have a material adverse effect on PF2.

3. Consents and authorisation

3.1 Consents

The following persons have given and have not, before the date of issue of this Supplementary Target's Statement, withdrawn their consent to:

- (a) be named in this Supplementary Target's Statement in the form and context in which they are named; and
- (b) the inclusion of other statements in this Supplementary Target's Statement which are based on or referable to statements made in the reports or statements noted next to their names, or which are based on or referable to other statements made by those persons, in the form and context in which they are included.

Name of person	Capacity	Reports or statements
Peter Spann	Director	Statements made by, or statements based on statements made by, the Directors
Howard Woolcott	Director	Statements made by, or statements based on statements made by, the Directors
Jodie Stainton	Independent Director	Statements made by, or statements based on statements made by, the Independent Director and the Directors
HWL Ebsworth Lawyers	Legal advisers	Nil

Each of the persons named above:

- (c) does not make, or purport to make, any statement in this Supplementary Target's Statement other than those statements referred to above and as consented to by that person; and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this section with the person's consent.

HWL Ebsworth Lawyers has not authorised or caused the issue of this Supplementary Target's Statement.

3.2 **Authorisation**

This Supplementary Target's Statement has been approved by a resolution passed by the Directors of PF1.

Signed for and on behalf of PF1:

A handwritten signature in dark ink, appearing to read 'Jodie Stainton', with a large, stylized loop at the beginning.

Jodie Stainton
Independent Director

17 July 2009