



**19<sup>th</sup> August 2008**

Company Announcements Office  
National Stock Exchange of Australia Limited  
Ground Floor 384 Hunter Street  
Newcastle NSW 2300  
BY E-LODGEMENT

**PROPERTY FOX NO. 1 LIMITED EXPRESSES SERIOUS CONCERNS OVER  
OPPORTUNISTIC OFFER**

- *No cash is offered*
- *Very low liquidity*
- *Flawed valuation model used*
- *The audited Net Tangible Asset Backing of PF1 is Higher than the bid*
- *Uncertain, high risk investment profile for anybody who accepts*
- *Loss of voting rights*

In relation to Pritchard Equity Limited's ("Pritchard") conditional takeover offer for Property Fox No.1 Limited ("PF1"), Mr. Peter Spann, PF 1's Chairman said today: "We have a number of serious concerns about Pritchard's unsolicited and unwelcome offer."

"This unsolicited offer presents PF1's shareholders with a scrip offer that is less than the audited Net Tangible Asset Backing of the company as at 31<sup>st</sup> December 2007. It is highly opportunistic."

"No cash is offered. PF1 shareholders would be swapping their shares in a cashed up company to a smaller company that suffers from lack of liquidity and has highly speculative investments, while at the same time diluting their voting rights."

"Pritchard Equity uses a flawed valuation model that values the shares being offered based on the last traded price of Pritchard's shares and not the average price of the various trades. This method ignores the bulk of trading in the shares.. If the same valuation model was used by both companies the value offered in the bid would be reduced considerably."

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**PROPERTY FOX NO. 1 LIMITED® ABN 97 101 816 353**

POSTAL: PO Box 7830, WATERFRONT PLACE, BRISBANE QLD 4001 LOCATION: LEVEL 11, WATERFRONT PLACE, 1 EAGLE STREET, BRISBANE CBD  
PH: 07 3031 9999 FAX: 07 3031 9911 EMAIL: PF1@FREEMANFOX.COM.AU



“Further, if the offer were to be successful, dilution, lack of liquidity and ill defined strategy introduce risks for PF1 shareholders”

“In summary, the opportunistic bid is clearly structured to suit Pritchard’s objectives, not the interests of PF1 shareholders”

## Concerns and issues with Pritchard’s offer

- ***No cash is offered***

The only consideration you will receive if you accept the bid is shares in a smaller company than PF1. No cash is offered.

- ***Biased valuation model used***

Pritchard Equity values their shares using a highly biased methodology. The valuation is based on just one trade of 1,000 shares with respect to Pritchard Equity Limited A Class Shares and Pritchard B Class Shares and ignores many other trades at prices as low as 0.85c. However, Pritchard values PF#1’s shares on an entirely different low-ball methodology omitting trades of higher value. Any premium referred to in the Bidder’s statement is eroded when a fair and unbiased valuation model is used.

If the same valuation model was used for both companies the consideration being offered would be reduced substantially (by as much as 30%) from its already low value.

- ***Very low liquidity***

As at the date of this announcement the PEQA shares and PEQB shares being offered as consideration under Pritchard’s bid have not traded since 24<sup>th</sup> April 2007. The Pritchard Preferred Income Securities have NEVER traded.

Due to the very low liquidity it is impossible to tell what the shares would trade at if you wanted to sell. Therefore the actual consideration, if you accepted the offer and then attempted to sell your shares, may well be considerably lower. In fact Pritchard Equity in their bid actually point this out as a substantial risk.

- ***The audited Net Tangible Asset Backing is Higher***

As at 31<sup>st</sup> December 2007, the audited Net Tangible Asset backing of each PF1 Share (not including the ordinary shares on issue) is \$0.59 per share. Pritchard Equity has



offered a consideration of just \$0.45c (using their highly biased valuation) for those shares. This is a discount of almost 24%.

- *Uncertain investment profile for anybody who accepts*

Pritchard Equity's investment portfolio is highly speculative and mostly in related party companies that have considerable exposure to the share market and highly concentrated assets. This would substantially increase the risk of your investment. PF#1's assets are mostly cash and property investments with the value supported by independent valuation.

- *Loss of voting rights*

At present each PF1 A class share you own entitles you to one vote. Of the shares being offered to you by Pritchard pursuant to the Bidder's statement dated 5<sup>th</sup> August 2008 only the B class shares are fully voting. This significantly reduces your voting rights.

## TAKE NO ACTION

"It is important that shareholders take no action until they have received all of the information that will be provided in our Target's Statement," said Peter Spann

If you have already decided to reject the bid from Pritchard Equity you need take no action. If unsuccessful the bid will eventually lapse.

The Target's Statement is expected to be distributed by the end of August 2008. Further information will be released as it comes to light.

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](http://www.nsx.com.au)