TARGET'S STATEMENT

By Property Fox No. 1 Limited
ABN 97 101 816 353
Dated 15th September 2008

The Directors of Property Fox No. 1 unanimously recommend that you **REJECT** the offer by Pritchard Equity Limited to acquire your Property Fox No. 1 Limited Shares

REJECT

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in doubt as to its contents please contact your professional Adviser. The Property Fox No. 1 Limited Shareholder Information Line is 07 3031 9950.

PROPERTY FOX
No. 1 LIMITED ®

Legal Advisers

Whittens
LAWYERS AND CONSULTANTS
www.whittens.com.au

Important Notice

This Target's Statement dated 15th September 2008 is given by Property Fox No.1 Limited ABN 97 101 816 353(PF1) under Part 6.5 of the Corporations Act in response to the Offer made by Pritchard Equity Limited ABN 80 100 517 404 (Pritchard Equity) for all the PF1 A Class Shares pursuant to the Bidder's Statement dated 1st September 2008. PF1 Shareholders should read this Target's Statement in its entirety.

Defined Terms

Defined Terms are explained in the Glossary in Section 11 of this Target's Statement.

No account of personal circumstances

This Target's Statement does not take into account the individual investment objectives, financial or tax situation or particular needs of each PF1 Shareholder. PF1 Shareholders may wish to seek independent financial and taxation advice before making a decision whether or not to accept Pritchard Equity's offer for the PF1 Shares.

Disclaimer regarding forward looking statements

This Target's Statement contains forward looking statements. PF1 Shareholders should be aware that such circumstances are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which PF1 operates as well as general economic conditions and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. None of PF1, its Directors, any of its officers, any person named in this Target's Statement with their consent, or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfillment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. PF1 Shareholders are cautioned not to place undue reliance on those statements. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. The risk factors in relation to PF1, are set out in Section 5 of this Target's Statement.

ASIC and NSX disclaimer

A copy of this Target's Statement has been lodged with ASIC and sent to the NSX. None of ASIC, NSX nor any of their respective officers takes any responsibility for the content of this Target's Statement.

PF1 Shareholder Information Line

PF1 has established a PF1 Shareholder Information Line which PF1 Shareholders should call if they have any queries in relation to Pritchard Equity's Offer. The telephone number for the PF1 Shareholder Information Line is 07 3031 9950. Announcements can be viewed on the NSX website by inserting the following link into your web browser: http://www.nsxa.com.au/announcements_list.asp?nsxcode=PFAA

Key Dates

Date of Pritchard Equity's Offer	1st September 2008
Date of this Target's Statement	15th September 2008
Closing Date of Pritchard Equity's Offer *(unless extended or withdrawn)*	7.00pm Sydney Time on 2nd of October 2008

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View from the King Arthur Terrace, Brisbane property, PF1 holds in joint venture

PROPERTY FOX
No. 1 LIMITED®
ABN 97 101 816 353

Dear Fellow Shareholder,

REJECT PRITCHARD EQUITY'S INADEQUATE AND OPPORTUNISTIC ALL-SCRIP OFFER

You recently received from Pritchard Equity an unsolicited Offer to acquire your PF1 Shares.

You will remember that at the AGM last year 75.5% of shareholders who voted rejected Mr. Pritchard's efforts to be appointed as a director and take control of the management of the Company. You should reject this inadequate offer as well.

Your Directors unanimously recommend that you **REJECT** Pritchard Equity's Offer. To do so you simply need not respond – no action is required.

There are ten key reasons why you should **REJECT** Pritchard Equity's inadequate Offer:

1. The **Independent Expert** has determined the bid is **NOT** fair nor reasonable;

2. **No cash** is offered – only shares in a highly illiquid company – the Directors of PF1 have a plan to return to you up to 50 cents per share **in cash** for 45% of your shares plus you would continue to gain from possible capital growth of the current investments;

3. Pritchard Equity's Shares rarely, if ever, trade. The price in Pritchard Equity's bid is based on just one trade of only 1,000 shares – the last trade date was 27 April 2007 – over 16 months ago. Since that time 966,999 PF1 shares have traded for a total value of $393,449.44;

4. There is **no premium** offered based on the volume weighted average price calculation of the shares and Pritchard Equity uses a **flawed and biased** valuation model that overvalues their own shares and undervalues PF1's shares. The Directors of PF1 believe that Pritchard Equity's bid is **only valued at 33 cents per share**[2];

5. Correctly valued the indicative price being offered is a total of 33 cents per share[3]. The Net Tangible Asset backing "NTA" of PF1 expressed as a price per share is audited at 57 cents per share[4]. The estimated price of 33 cents per share represents **a 42% discount to the NTA**;

6. You should question the sustainability of Pritchard Equity's current share price relative to PF1's – if you tried to sell shares in Pritchard Equity it is **doubtful** the quoted price could or would be achieved;

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1 Based on the current market data available as at the date of this Target's Statement from the NSX website.
2 See explaination of valuation on page 14 + 15.
3 Based on the calculations on page 15.
4 Based on the audited Net Tangible Asset backing of the company in the financial accounts for the period ending 30th June 2008 not including the ordinary shares on issue.

7. Pritchard Equity is offering you shares in a business with **substantially increased risks.** Pritchard Equity's investments are not diversified, include investments in related party companies and are exposed to illiquid companies and the share market[5].

8. You lose a large amount of your voting rights by accepting the offer[6]. If the offer was accepted in full Mr. Steven Pritchard would have voting power of 57.19%[7] - he could outvote ALL other shareholders including all PF1 shareholders together[8]. **You would have limited say or control in the merged entity.**

9. Acceptance of Pritchard Equity's Offer will expose you to **significant risk and uncertainty** – ASIC required Pritchard Equity to insert a section relating to substantial material risks at the beginning of its Bidder's Statement – in the view of the directors of PF1, those risks are high;

10. The Director's of PF1 have a plan that could **return to you up to 50 cents per share** in cash for 45% of your shares. It would do so immediately upon acceptance of the plan by Shareholders. This cash would be in your hands and you could invest it any way you liked. In addition you would still share in any potential capital growth from existing investments.

With its current cash position, PF1's Balance Sheet is extremely strong. Pritchard Equity's bid is an opportunistic attempt to acquire PF1's assets cheaply. You should **REJECT** it.

To **REJECT** the offer simply do nothing. No action is required to reject the offer.

A future plan for PF1 that benefits ALL shareholders

Your Directors believe that PF1 is in good financial and operational shape and is positioned to take advantage of the recovery of property markets.

75.5% of shareholders who voted at last year's AGM, voted to reject Mr. Pritchard's prior attempt to be appointed as a director of the company. A few months ago, in order to seek some resolution, the Directors through its representative, approached Mr. Pritchard a number of times to discuss the future of the company to benefit all shareholders. This was a genuine effort to restore shareholder unity, value and plan a bright future for the company. He rejected those approaches. Because of these ongoing unsolicited and disruptive corporate actions the Directors have formed a view that the best way forward is to return to you the accumulated cash in the company.

This is significant. It would mean that you would receive CASH in your hands of an amount substantially more than the value of Pritchard Equity's offer The directors plan to return 50 cents per share now for 45% of your shares and then approximately 50 cents per share, for the remaining shares on issue after the assets of the company have been sold in an orderly manner. This would be a total return equivalent to approximately 50 cents per share.

The cash position of the company improved by $147,988 over the last financial year and was $1,427,875 at 30th June, 2008. This cash belongs to you, the Shareholders.

The Directors' plan would be to return ALL surplus cash to you by way of a buy-back. This is tax effective and **fair to all shareholders.**

At the conclusion of the buy-back the Directors would seek to sell the remaining assets of PF1 in an orderly manner so as to not further disadvantage shareholders by accepting reduced prices. **It is anticipated that the majority of this could be done swiftly.**

5 Based on Section 1 of the Bidder's Statement of Pritchard Equity dated 1st September 2008.
6 Based on Annexure 4 of the Bidder's Statement of Pritchard Equity dated 1st September 2008 and the Constitution of Property Fox No.1 Limited.
7 Based on Page 25 of the Bidder's Statement dated 1st September 2008
8 Based on 100% acceptance level.

The valuations of the properties held by PF1 are conservative so it is possible that these sales could be achieved by selling assets at a premium to the current marked down values of the properties. If so, some or all of the prior tax losses of the company could be taken up.

Once those sales are complete a future distribution of cash would be made to shareholders either by way of dividend or other distribution.

The Directors would then seek to sell PF1 or, if not possible, in a reasonable timeframe wind the Company up. You will remember it was originally envisioned that the Company would be wound up towards the end of this year and so we would be returning to the original plan.

While this would "lock in" capital losses it would allow you to take the cash returned to you and invest it and benefit from it in any way you wish.

This plan would need to be approved at an Extraordinary General Meeting or Annual General Meeting. The Directors will be seeking your support to implement the plan.

The Directors believe the plan put forward at the last AGM could have worked to restore shareholder value over time but with the ongoing threats from Pritchard and associated entities the only intelligent plan is to return cash to shareholders so **you benefit immediately.**

> It is important to note that none of the Directors or the Manager (my company Fox Portfolio Pty Ltd), benefits in any way from this. We do not receive any cash, or any capital, or any potential profit. **This option only benefits A Class shareholders.**

Any alternative, including a change of mandate or management takes control out of your hands, is long term at best and has associated risks and costs.

The Directors plan puts cash back into your hands, allows you to control your future investing, does so with little or no cost to you and solidifies and makes certain the future of the cash and the company.

> **This Target's Statement sets out the full reasons supporting your Directors' unanimous recommendation to REJECT Pritchard Equity's Offer.**

I encourage you to read carefully all information contained in this Target's Statement and where appropriate seek independent advice or call our Shareholder Information Line on 07 3031 9950.

Yours Sincerely

Peter Spann

Chairman

2. Reasons why you should REJECT Pritchard Equity's Offer

- The Independent Expert has determined the bid is **not** fair nor reasonable – the Directors of PF1 agree – **REJECT** the offer
- **No cash** is offered – the Directors have a plan that will return cash to you
- **Pritchard Equity's shares are illiquid** – they rarely, if ever trade
- Correctly valued **the offer is, at best, only 33 cents** per share - there is **NO premium offered** – correctly valued the offer is at a 28% discount[9]
- The audited Net Tangible Assets of PF1 are worth **42% more** than the bid[10]
- You should question the sustainability of Pritchard Equity's current share price relative to PF1's
- Pritchard Equity is offering you shares in a business with little diversity, including related party investments some of which are **declining in value**
- You **lose** a large amount of **your voting rights** – you will have NO say in the future of the company
- Acceptance of the offer will expose you to **significant risk and uncertainty**
- The Directors of PF1 have a plan that will return cash to you and may give you potential upside

Your Directors unanimously recommend that you REJECT Pritchard Equity's Offer and maintain your full exposure to and shareholding in Property Fox No. 1 Limited

9 Based on the Directors assessment of the offer. Please see page 14 of the Target's Statement for details.
10 Based on the Directors assessment of the offer. Please see page 14 of the Target's Statement for details.

Your Directors unanimously recommend that you REJECT Pritchard Equity's Offer and maintain your full exposure to and shareholding in Property Fox No. 1 Limited

1. The Independent Expert has determined that the offer is NOT fair and reasonable

On behalf of Shareholders the Board of PF1 has engaged the services of Lawler Partners to provide an independent expert opinion as to whether or not, in their view, the offer is fair and reasonable.

The Independent Expert has determined that the bid is neither fair nor reasonable. Shareholders should read the report which is included at Section 8 of this Target's Statement.

In addition the Independent Expert made the following observations about the operating performance of PF1[1]:

(a) Despite several years of consecutive net losses, PF1 is at the time of writing this report in a financially sound and economically favourable position.

(b) The net operating losses recorded by PF1 in the past several years are in no way an indication on the ability of the board or entity. Operating losses are inherent to the nature of the principal business activity of PF1 as the outflow of resources is essential for the generation of future cash inflows.

(c) The nature of PF1's principal business activity provides for a direct correlation between business operations and financial performance and operating losses are inherent during years when the entity's business operations focus on acquisition and redevelopment of property for future revenue generating projects.

(d) This has been the case with PF1. During financial years 2005 to 2007, the business operations of PF1 centred primarily on the acquisition and redevelopment of property hence PF1 recorded net operating losses.

(e) The net losses do not reflect the true financial performance and or position of PF1.

2. NO cash is being offered

There is no cash being offered. Only shares in Pritchard Equity are being offered and as you are about to discover it is the Directors of PF1's view that the Pritchard Equity shares have been over valued in relation to the implied price being offered, are illiquid, concentrate risk, and would reduce your voting rights.

More importantly the offer is at a price less than the average price of the buy-back conducted by PF1. In other words you would have been able to sell your shares for cash at a higher price than this offer before the offer was made.

Considering the large amount of accumulated cash within PF1 an all scrip offer is not in the best interests of shareholders. Indeed any offer that does not contain a considerable cash component is unlikely to be in your best interests.

3. Pritchard Equity's Shares rarely, if ever, trade

Pritchard Equity has made an unsolicited scrip offer for your PF1 shares. PF1 Shareholders should consider the liquidity (the amount and frequency of trades) of PF1's shares relative to the liquidity of Pritchard Equity's shares.

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[1] *Independent Expert's Report – Item 49, Page 10*

The last trade on Pritchard Equity shares was 24 April 2007 – over 16 months ago. Since that time 966,999 PF1 shares have traded for a total value of $393,449.44.

Illiquidity means fewer trades in the company, which in turn may mean an inability for shareholders to exit when they want to, irrational share prices, irregular or improper valuations, and shareholders being forced to accept prices that are not a true reflection of the company's value. PF1 suffers from illiquidity, however liquidity has been provided through a buy-back. Shares in Pritchard Equity have virtually no liquidity. Shareholders who accept the offer would, in all probability, have little or no market for their shares should they wish to sell.

There are significant reasons why Pritchard Equity shares are illiquid including:

- The small size of the company;
- The limited free float of shares (the shares generally available to be bought and sold) – most of the shares in Pritchard Equity are owned by Steven Pritchard and related parties;
- The limited investment scope of the company – Pritchard Equity primarily has very undiversified, high risk investments mostly in related parties to the major shareholders;
- The illiquidity of the NSX in general;
- The non-voting nature and illiquidity of PEQA shares;
- The risk premium that needs to be attached to the Preferred Income Securities – these investments are high risk, have limited voting rights and the income "coupon" or return can be adjusted at any time by the Directors – this is not attractive to most investors.

Pritchard Equity has based the pricing of their bid on just one trade of 1,000 shares with respect to the PEQA and PEQB shares that occurred over 16 months ago. The Directors of PF1 do not consider this a reliable indicator of what price you may expect if you attempted to sell Prichard Equity shares.

This renders the valuation Pritchard Equity Limited has used as irrelevant and unlikely to be sustainable. PF1 shareholders had (prior to this bid) been able to sell their shares for cash through the buy back at a higher average price than offered now by Pritchard Equity Limited. They then, of course could choose how to reinvest those funds. If you accept this bid you will be selling for less than you could have prior to the bid, you will only receive shares in a highly illiquid company and have no choice over the ongoing investments.

Pritchard Equity's Trades Since Listing

The consideration being offered by Pritchard Equity for your PF1 shares involves different classes of Pritchard Equity's Shares. The amount and frequency of trades with respect to the shares being offered are set out in the tables following.

PEQA (Pritchard Equity Limited A Ordinary Shares)

Date	Price	Volume	Value	Buyer	Seller	Code	Issuer Description
24/04/2007 10:49	1.10	1000	1100	Pritchard & Partners	Pritchard & Partners	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
22/01/2007 11:09	1.00	11250	11250	Camerons	Camerons	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
16/01/2007 11:09	0.85	5000	4250	Pritchard & Partners	Camerons	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
23/05/2006 9:54	0.85	5000	4250	Pritchard & Partners	Pritchard & Partners	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
4/05/2006 12:00	0.85	250	212.5	Pritchard & Partners	Pritchard & Partners	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
4/05/2006 11:59	0.85	250	212.5	Pritchard & Partners	Pritchard & Partners	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
4/05/2006 11:58	0.85	250	212.5	Pritchard & Partners	Pritchard & Partners	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
4/05/2006 11:58	0.85	250	212.5	Pritchard & Partners	Pritchard & Partners	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
4/05/2006 11:57	0.85	250	212.5	Pritchard & Partners	Pritchard & Partners	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
3/05/2006 9:35	0.85	1000	850	Camerons	Tonkins	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
2/05/2006 10:57	1.00	250	250	Pritchard & Partners	Pritchard & Partners	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
2/05/2006 10:57	1.00	250	250	Pritchard & Partners	Pritchard & Partners	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
2/05/2006 10:57	1.00	250	250	Pritchard & Partners	Pritchard & Partners	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
2/05/2006 10:56	1.00	250	250	Pritchard & Partners	Pritchard & Partners	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
2/05/2006 10:56	1.00	250	250	Pritchard & Partners	Pritchard & Partners	PEQA	Pritchard Equity Equity Limited A Ord Non Voting
2/05/2006 10:55	1.00	250	250	Pritchard & Partners	Pritchard & Partners	PEQA	Pritchard Equity Equity Limited A Ord Non Voting

- The above information is from the NSX website and is correct as at 10th September 2008, the last practical date before this Target's Statement went to print and may be subject to change;
- The above information shows a Volume Weighted Average Price of 93 cents per share or a 18.7% discount to the last traded price of the above shares;
- The above Shares have not traded since 24th April 2007 (over 16 months);
- It is important to note that only one trade involved a broker apart from Pritchard & Partners or Camerons (an associate of Pritchard Equity) indicating little or no interest in the shares apart from related parties;
- Given the non-voting nature and illiquidity of PEQA shares, the small size of the company, the limited free float of shares, the limited investment scope of the company, and the illiquidity of the NSX in general, it is PF1's Directors' view that the price quoted is highly unlikely to be achieved in a free and fair market with significant volume. This would mean a potential significant discount to the quoted price.

PEQB (Pritchard Equity Limited B Ordinary Shares)

Date	Price	Volume	Value	Buyer	Seller	Trading Code	Issue Description
24/04/2007 10:51	1.10	1000	1100	Pritchard & Partners	Pritchard & Partners	PEQB	Pritchard Equity Equity Limited B Class Ord
22/01/2007 11:09	1.00	11250	11250	Camerons	Camerons	PEQB	Pritchard Equity Equity Limited B Class Ord
16/01/2007 11:09	0.85	5000	4250	Pritchard & Partners	Camerons	PEQB	Pritchard Equity Equity Limited B Class Ord
23/05/2006 9:55	0.95	5000	4750	Pritchard & Partners	Pritchard & Partners	PEQB	Pritchard Equity Equity Limited B Class Ord
3/05/2006 9:37	0.95	1000	950	Camerons	Tonkins	PEQB	Pritchard Equity Equity Limited B Class Ord

- The above information is from the NSX website and is correct as at 10th September 2008, the last practical date before this Target's Statement went to print and may be subject to change;
- The above information shows a Volume Weighted Average Price of 96 cents per share or a 15.4% discount to the last traded price of the above shares;
- The above Shares have not traded since 24th April 2007 (over 16 months);

- It is important to note that only one trade involved a broker apart from Pritchard & Partners or Camerons (an associate of Pritchard Equity) indicating little or no interest in the shares apart from these broking firms;

- Given the illiquidity of PEQB shares, the small size of the company, the limited free float of shares, the limited investment scope of the company, and the illiquidity of the NSX in general, it is PF1's Directors' view that the price quoted is highly unlikely to be achieved in a free and fair market with significant volume. This would mean a potential significant discount to the quoted price.

PEQPA (Pritchard Equity Limited Preferred Income Securities)

- These shares have NEVER traded.

- It is impossible to put an arms length traded price on shares that have never traded.

- The coupon yield would suggest a much lower price than quoted due to the illiquidity of the shares and the risk premium that would need to be attached to this type of debt security. It is PF1's Directors' view that the price quoted by Pritchard Equity of $100 per PEQPA share is not realistic.

- Given the illiquidity of the Pritchard Equity Limited Preferred Income Securities, the risk premium that would need to be attached to the value of the yield, the small size of the company, the limited free float of shares, the limited investment scope of the company, and the illiquidity of the NSX in general, it is PF1's Directors' view that the price quoted is highly unlikely to be achieved in a free and fair market with large volume. This would mean a potential significant discount to the quoted price. For these reasons in calculating the implied price of the Pritchard Equity Offer, your Directors have applied a 30% discount to the value of the Pritchard Equity Limited Preferred Income Securities.

PF1 Liquidity

In order for shareholders to make an informed decision on the liquidity of PF1's shares as opposed to the liquidity of shares being offered by Pritchard Equity, what follows is a list of all the trades that have occurred since PF1 was listed on 28th February 2007.

Date	Price	Volume	Value	Buyer	Seller	Trading Code	Issue Description	Trade Number
27/08/2008 12:16	0.23	20000	4600	Camerons	Macquarie	PFAA	Property Fox No 1 Limited A Class	2
21/08/2008 9:51	0.26	20000	5200	Macquarie	Macquarie	PFAA	Property Fox No 1 Limited A Class	1
29/04/2008 14:25	0.42	20000	8400	Tonkins	Pritchard & Partners	PFAA	Property Fox No 1 Limited A Class	3
21/04/2008 15:42	0.42	10000	4200	Tonkins	Pritchard & Partners	PFAA	Property Fox No 1 Limited A Class	3
05/03/2008 11:59	0.42	40000	16800	Tonkins	ABN Amro Morgans	PFAA	Property Fox No 1 Limited A Class	3
21/02/2008 9:41	0.4	238000	95200	Tonkins	Macquarie	PFAA	Property Fox No 1 Limited A Class	1
20/02/2008 10:35	-0.4	-238000	-95200	Tonkins	Macquarie	PFAA	Property Fox No 1 Limited A Class	1
20/02/2008 10:35	0.4	238000	95200	Tonkins	Macquarie	PFAA	Property Fox No 1 Limited A Class	1
30/01/2008 14:38	0.35	20000	7000	Camerons	Macquarie	PFAA	Property Fox No 1 Limited A Class	7
30/01/2008 11:32	0.35	20000	7000	Camerons	Macquarie	PFAA	Property Fox No 1 Limited A Class	3
18/12/2007 12:31	0.5	2000	1000	Tonkins	Macquarie	PFAA	Property Fox No 1 Limited A Class	3
14/12/2007 14:23	0.5	18000	9000	Tonkins	Macquarie	PFAA	Property Fox No 1 Limited A Class	3
04/12/2007 14:06	0.56	19000	10640	Tonkins	Macquarie	PFAA	Property Fox No 1 Limited A Class	3
03/12/2007 16:01	0.56	20000	11200	Tonkins	Pritchard & Partners	PFAA	Property Fox No 1 Limited A Class	13
03/12/2007 16:01	0.56	20000	11200	Tonkins	Pritchard & Partners	PFAA	Property Fox No 1 Limited A Class	12
03/12/2007 16:01	0.56	59999	33599.44	Tonkins	Tonkins	PFAA	Property Fox No 1 Limited A Class	11
30/11/2007 11:16	0.56	10000	5600	Tonkins	Tonkins	PFAA	Property Fox No 1 Limited A Class	3
30/11/2007 11:11	0.56	10000	5600	Tonkins	Tonkins	PFAA	Property Fox No 1 Limited A Class	2
22/11/2007 15:44	0.56	15000	8400	Tonkins	Pritchard & Partners	PFAA	Property Fox No 1 Limited A Class	6
09/11/2007 12:48	0.35	10000	3500	Camerons	Pritchard & Partners	PFAA	Property Fox No 1 Limited A Class	4
17/10/2007 14:51	0.56	5000	2800	Tonkins	Pritchard & Partners	PFAA	Property Fox No 1 Limited A Class	1
25/09/2007 15:52	0.35	1000	350	Camerons	ABN Amro Morgans	PFAA	Property Fox No 1 Limited A Class	5
25/09/2007 10:54	0.37	19000	7030	Macquarie	ABN Amro Morgans	PFAA	Property Fox No 1 Limited A Class	2
25/09/2007 10:40	0.35	2000	700	Camerons	ABN Amro Morgans	PFAA	Property Fox No 1 Limited A Class	1
24/09/2007 14:10	0.36	18000	6480	Macquarie	ABN Amro Morgans	PFAA	Property Fox No 1 Limited A Class	10
19/09/2007 14:21	0.35	20000	7000	Camerons	Tonkins	PFAA	Property Fox No 1 Limited A Class	6
19/09/2007 14:14	0.35	60000	21000	Camerons	Tonkins	PFAA	Property Fox No 1 Limited A Class	5
19/09/2007 14:14	0.35	40000	14000	Camerons	ABN Amro Morgans	PFAA	Property Fox No 1 Limited A Class	4
19/09/2007 12:41	0.34	20000	6800	Camerons	ABN Amro Morgans	PFAA	Property Fox No 1 Limited A Class	1
18/09/2007 10:27	0.35	20000	7000	Camerons	Tonkins	PFAA	Property Fox No 1 Limited A Class	6
17/09/2007 15:48	0.35	20000	7000	Camerons	ABN Amro Morgans	PFAA	Property Fox No 1 Limited A Class	9
17/09/2007 14:27	0.35	80000	28000	Camerons	Tonkins	PFAA	Property Fox No 1 Limited A Class	6
04/09/2007 12:14	0.385	30000	11550	Macquarie	Macquarie	PFAA	Property Fox No 1 Limited A Class	6
21/08/2007 13:09	0.395	20000	7900	Macquarie	Macquarie	PFAA	Property Fox No 1 Limited A Class	2
20/08/2007 11:40	0.395	20000	7900	Macquarie	Macquarie	PFAA	Property Fox No 1 Limited A Class	3
06/06/2007 11:14	0.52	20000	10400	Macquarie	Macquarie	PFAA	Property Fox No 1 Limited A Class	4
12/04/2007 11:57	0.6	20000	12000	Macquarie	Macquarie	PFAA	Property Fox No 1 Limited A Class	5
11/04/2007 10:57	0.7	100000	70000	Macquarie	Macquarie	PFAA	Property Fox No 1 Limited A Class	2

- The above information is from the NSX website and is correct as at 10th September 2008, the last practical date before this Target's Statement went to print and may be subject to change;

- While PF1's shares are substantially more liquid than Pritchard Equity shares, Pritchard Equity Limited's assertion that they expect their liquidity to increase when merged with Property Fox is unlikely. Regardless any increase in liquidity will actually be provided by PF1 a benefit you already enjoy;

- The above information includes the on-market buy-back conducted by the company. The Directors of PF1 believe the buy-back prices were fair and reasonable and to the benefit of all shareholders.

- The volume weighted average price of the buy-back was 46 cents per share representing a 19.3% discount to the NTA of the company, expressed as a value per share, as at 30th June 2008;

- Shares bought back increase the net tangible asset backing of the remaining shares of the company, concentrate profits or tax benefits from losses to the remaining shareholders, increase the relative voting rights of remaining shareholders and provides liquidity;

- Any shareholder at any time, during its operation, could have taken advantage of the buy-back;

- The average price of the buy-back, being 46 cents per share exceeds what the Directors believe is the implied value of the offer from Pritchard Equity being 33 cents per share. Shareholders of PF1 had the opportunity to sell their shares prior to the bid at a higher price than the bid and receive CASH rather than scrip;

- It is important to note that buy and sell orders were placed on PF1 by five different brokers. Trades in Property Fox No 1 Limited A Class shares (PFAA) have been handled by Tonkins, ABN Amro, Macquarie, Camerons and Pritchard and Partners indicating a much wider interest base in the shares and potentially greater liquidity.

4. There is NO premium being offered – a flawed and biased valuation model has been used

Pritchard Equity values its own shares in a highly favourable manner using only the last traded price. Only 1,000 PEQA shares have traded at the $1.10 price claimed and this transaction took place on the 24th April 2007 – over 16 months ago. The buyer and seller transactions were both handled by Pritchard and Partners in this trade.

The previous trade was at $1 per share and the previous 8 trades were at 85 cents per share. All trades were processed by either Pritchard and Partners or Camerons (an associated company to Pritchard Equity).

The method used to value PF1 shares by Pritchard Equity is VWAP or "Volume Weighted Average Price".

If you apply that same methodology to value Pritchard Equity PEQA shares, the consideration would drop substantially from $1.10 to 93 cents. This is a decrease in valuation of PEQA shares of almost 16%.

Only 1,000 PEQB shares have traded at the $1.10 price claimed. The buyer and seller transactions were both handled by Pritchard and Partners in this trade.

The previous trade was at a $1.00 per share. The buyer and seller transactions were both handled by Camerons in this trade.

The previous trade was at 85 cents per share. The buyer transaction in this trade was processed by Pritchard and Partners and the seller transaction in this trade was processed by Camerons.

The previous trading occurred in 2006.

If you apply the VWAP methodology to value Pritchard Equity's PEQB shares the consideration would drop substantially from $1.10 to 96 cents. This is a decrease in valuation of PEQB shares of almost 13%.

There has been no trading of the PEQ Preferred Income Securities. Pritchard Equities valuation of these shares is 10 times earnings regardless of the fact they are highly illiquid and speculative. As previously stated it is unlikely the PEQ Preferred Income Securities would attract significant interest from investors due to the substantial risk premium that needs to be attached to them. This investment is high risk, has limited voting rights and the income "coupon" or return can be adjusted at any time by the Directors (Steven Pritchard is a major shareholder who can outvote other shareholders).

The Directors of PF1 believe that the stated valuation of the PEQ Preferred Income Securities at $100 each is unlikely to be sustained in a free and fair market with reasonable volume. For these reasons in calculating the implied price of the Pritchard Equity Offer, your Directors have applied a 30% discount to the value of the Pritchard Equity Limited Preferred Income Securities and believe these securities are worth at best approximately $70.00 per share.

Accurately valued, using the above methodologies, the Directors of PF1 believe the implied price of the consideration being offered is just 33 cents per share. Rather than being a premium (as claimed by Pritchard Equity) this is a discount.

The price is calculated as follows:

VWAP of PEQ A Shares	VWAP of PEQ B Shares	Director's opinion as to Value of PEQ Preferred Income Securities
93 cents per share	96 cents per share	$70 per share

Offer price based on VWAP and the Director's opinion as to value of the Pritchard Equity Limited Preferred Income Securities is just 33 cents per share

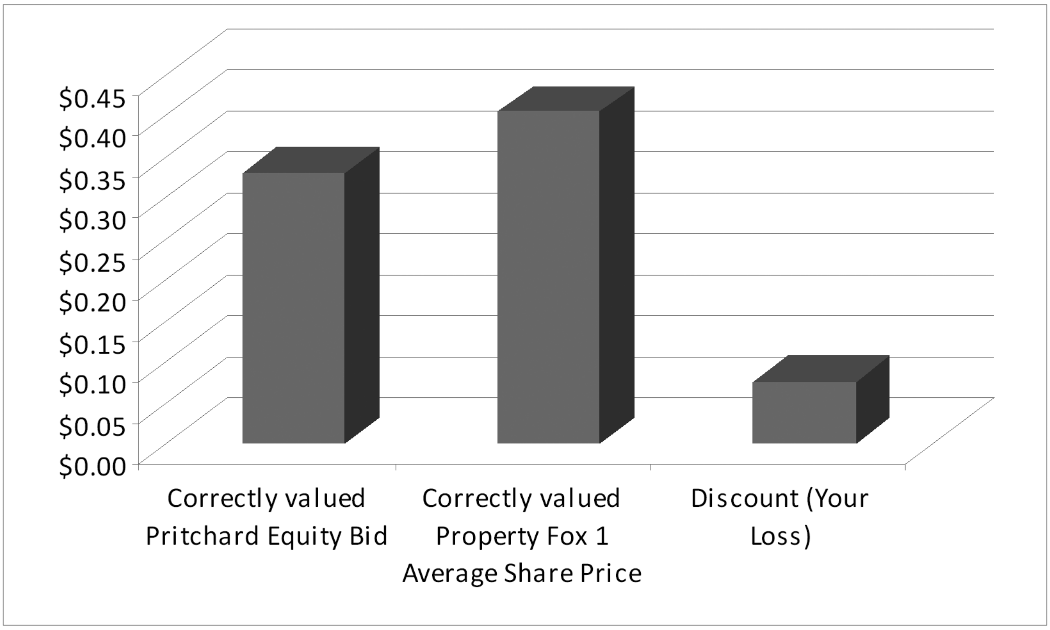
The above information is current as at 10th September 2008.

This represents a substantial discount to the VWAP of PF1.

Pritchard Equity, in its valuation of PF1, ignore the buy-back of shares which has taken place at 40c, 42c, 50c and 56c. Any shareholder could have accepted those prices for their shares and taken the proceeds in cash. The takeover bid by Pritchard Equity has as a condition that the company does not enter into a further buy-back.

> **The correctly valued VWAP of PF1 is 40.51 cents per share. This puts Pritchard Equity's correctly valued bid of 33 cents per share at a 18.5% discount to the correctly valued PF1 share price.**

DIRECTORS OPINION ON VALUE OF PRITCHARD EQUITY SHARES COMPARED TO PROPERTY FOX 1 SHARES



This chart illustrates the offer discount when the Pritchard Equity shares and PF1 shares are correctly valued using the same VWAP methodology with respect to the PEQ A Shares and PEQ B Shares and applying a 30% discount to the PEQ Preferred Income Securities. The discount in the chart above illustrates the amount you would lose by accepting the offer based on a 33 cents per share implied offer price.

5. The Assets of the Company are worth 42% more than being offered

As disclosed to the market and published in the audited accounts of PF1, the audited Net Tangible Asset backing of the A Class ordinary shares as at 30th June 2008 is 57 cents per share, when you exclude the ordinary shares.

As Pritchard Equity is not offering to purchase the ordinary shares, and they have no rights on distribution of capital, it is important to exclude them from calculation.

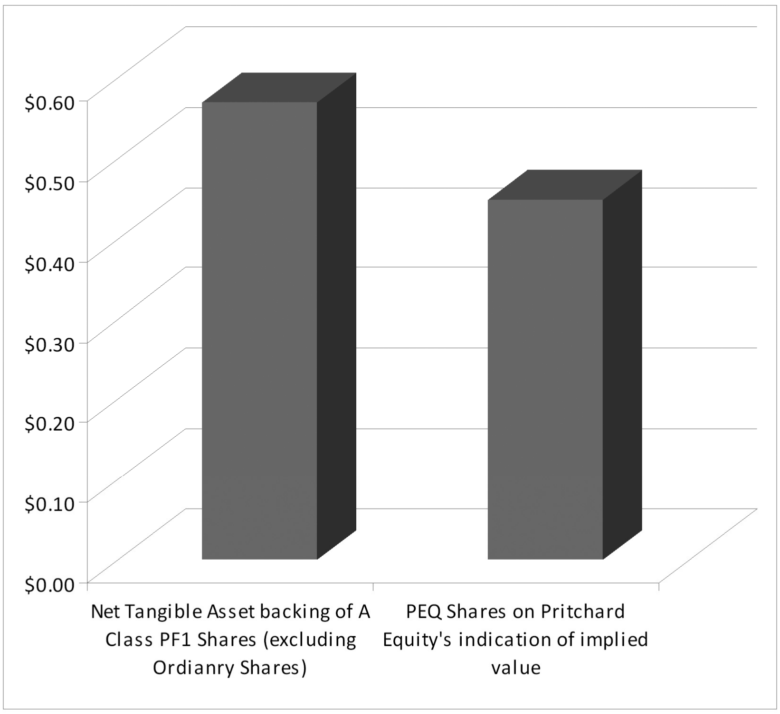
All of the property assets of the company were valued prior to the preparation of the 30th June 2008 accounts. It is the standard practice of the company to have the properties valued every alternate year. The valuations were conducted by Independent Registered Valuers. Where more than one valuation was conducted the average of the two valuations was used. This was done so shareholders have confidence that the valuations of the properties present fair market valuations.

It is also important to note that the company values the assets in the company accounts at the lesser of either the cost or market value so any increases in the valuation of properties have not been taken up in the accounts. This means when those properties are sold it is possible that they will be sold at prices higher than the written valuation of the properties in the accounts.

After conducting these valuations the Directors of PF1 are confident that not only do the valuations of the assets in the accounts properly reflect their value, but also that there is a reasonable chance of upside when the assets are sold.

The difference between the value being offered to you by Pritchard Equity and the audited Net Tangible Asset backing of the A Class shares is shown as follows:

DIFFERENCE BETWEEN VALUE OFFERED BY PRITCHARD EQUITY & PF1 NTA BACKING



The Intelligent Investor[2] says "The NTA gives an indication of what each share in a company is worth if all the assets were liquidated, all the debts were paid and the residual was distributed to the ordinary shareholders on a per share basis. NTA is also frequently referred to as the asset backing per share.

By comparing the NTA to the current share price we can see at what multiple of assets the shares are trading. This is described in some investment books as the price-to-book ratio.

If the NTA is greater, opportunities may exist to buy into an undervalued company. It is also possible that a take-over offer may be made. If the NTA is less than the share price, then the market may be overvaluing the company or it may be a reflection of the company's future potential."

In her book *The Language of Money* Edna Carew[3] describes the NTA as "What's behind your shares." She goes on to say "A company can have a poor earnings-per-share rate but still have a solid asset backing. This could make it an attractive takeover target for an asset-stripper." Pritchard Equity's takeover bid appears to be, unfortunately, nothing more than an asset-stripper recognising that the share price does not accurately value the company. It is also an opportunity for all shareholders to truly understand the value of the company and not sell their own holdings short by accepting the bid.

6. You should question the sustainability of Pritchard Equity's current share price relative to PF1

Due to the low liquidity of Pritchard Equity's shares it is highly likely that if a shareholder was forced to sell their shares in Pritchard Equity that the selling pressure would have a detrimental effect on the share price.

For this reason, below is a table which shows the implied value of your PF1 A Class Shares based on different prices for the PEQA Shares, the PEQB Shares and the PEQ Preferred Income Securities .

PEQ A Price	PEQ B Price	PEQ Preferred Income Securities	Implied Offer Price per PF1 Share
$1.10	$1.10	$100	$0.45
$1.00	$1.00	$90	$0.41
$0.90	$0.90	$80	$0.36
$0.80	$0.80	$70	$0.32
$0.70	$0.70	$60	$0.27
$0.60	$0.60	$50	$0.23
$0.50	$0.50	$40	$0.19
$0.40	$0.40	$30	$0.14
$0.30	$0.30	$20	$0.10
$0.20	$0.20	$10	$0.05
$0.10	$0.10	$0	$0.01

7. Pritchard Equity is a business with increased risks

By agreeing to accept Pritchard Equity's offer you are increasing your risk exposure to the share market.

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[2] *The Intelligent Investor website available at www.intelligentinvestor.com.au*

[3] *The Language of Money by Edna Carew Allen & Unwin Academic; Exp Sub edition (July 1, 1996)*

The Assets of Pritchard Equity are highly concentrated in related parties

Pritchard Equity's single largest investment is a 33.06% holding in Cameron Stockbrokers Limited.

Pritchard Equity's second largest investment is a 16% holding in Illuminator Investment Company Limited. The largest holder of these shares as at 30th June 2007 was the Pritchard Family Company Pty Ltd.

Pritchard Equity criticises PF1 for related party activities and yet participates in them by investing in associated companies.

The Assets of Pritchard Equity are highly speculative

One of the major advantages of PF1 is that it is not a typical share market investment. It is a property investment company. Notwithstanding that the risks of investing were disclosed in detail in the original prospectus, the investments of PF1 are now well known and quantifiable – a significant holding in cash, 3 different investments in properties and a small holding in Property Fox No. 2 Limited.

Pritchard Equity on the other hand invests in small, illiquid companies, many of which are related parties, in some cases are not listed public companies so do not produce easily accessible public information, have little or no trading history, and have substantial exposure to highly volatile share investments.

A Highly Illiquid, Privately Owned, High Risk, Cyclical Business

Pritchard Equity's single largest investment is a 33.06% holding in Cameron Stockbrokers Limited (as stated on page 17 of the Bidder's Statement).

Stockbroking is a highly cyclical business and in the current economic environment the prospects would be limited.

For example the Commonwealth Bank announced on the 13th August 2008 that it was not proceeding with a purchase of ABN Amro[4] stating, "The bank advises that it has made this decision after its board assessed the current economic climate, the uncertainty in world financial markets and the risks involved in integrating these complex businesses at this time.".

> "The bank believes that given these factors it would not be in the best interests of shareholders to proceed with the acquisition in this environment."

The Directors of PF1 believe that if the largest bank in Australia doesn't think investing in one of the largest and most successful stockbrokers in Australia at this stage in the economic cycle is a wise idea then shareholders of PF1 should consider it unwise to invest indirectly in a much smaller stockbroker.

On page 18 of the Bidder's statement Pritchard Equity states, with reference to Cameron Stockbrokers Limited that:

"The consolidated operating profit for the year ended 30 June 2008 is expected to be below the result for the year ended 30 June 2007 due to the downturn currently being experienced in financial markets"[5]

> Pritchard Equity does not disclose how much lower that profit is likely to be, the impact it makes on the valuation of the business, how much it will be forced to

[4] *Media release dated 13th August and Posted on ASX Announcements Web-site*
[5] *Page 18 of the Pritchard Equity Bidder's statement dated 1st September 2008.*

write down its investment and what impact that will have on the value of Pritchard Equity shares.

A Micro-Sized, Highly Illiquid Company with some Declining Assets and Poor Performance

Pritchard Equity's second largest investment is a 16% holding in Illuminator Investment Company Limited. "IIC" a Listed Investment Company.

IIC is highly illiquid with only ten trades since listing on the NSX and absolutely no trades having been made between 25th January 2008 and 23rd June 2008.

It is a tiny company to be in this space with a market capitalisation of just $1.19 million as at 13th August 2008.

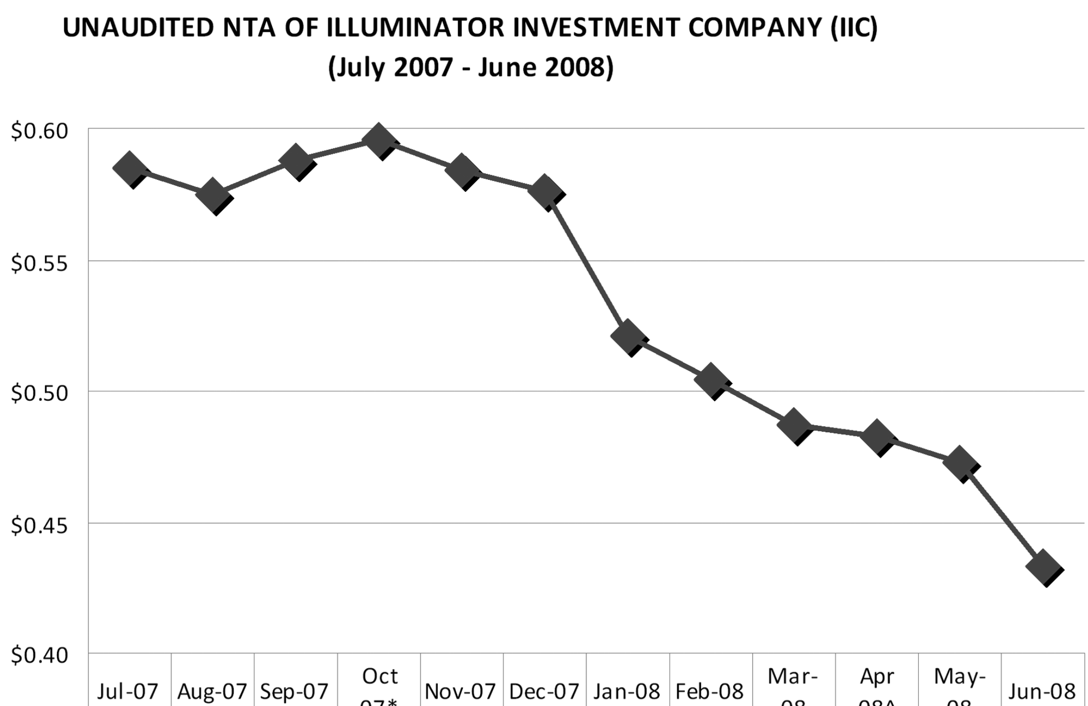
It is highly unlikely to be able to leverage its position having available to invest an amount smaller than many private investors could summon in the market. Its positions are likely to lack diversification, lack quality portfolio construction, and be subject to significant market pressure. IIC invests primarily in ASX 200 stocks – this index has seen a decrease of approximately 25% since its peak in November 2007.

Listed Investment Companies are generally out of favour with the market.

The costs of running a publically listed company of this nature are likely to be disproportionately high to its market capitalization sub-optimising returns. In fact the profit of IIC has never exceeded $49,632 which was for the year ended 30 June 2007, a considerable boom year for share market investing. With such a narrow profit margin any downturn would likely have a substantial impact.

On the date of listing of IIC its share price traded at 46.5c and its NTA was 46c per share. Over 4 years later on 13th August 2008 its share price was 50c and its NTA as at 30th June 2008 was 43 cents per share.

Below is a graph of the unaudited Net Tangible Assets of Illuminator Investment Company from July 2007-June 2008 indicating a significant decline in the asset value of the company.



	Jul-07	Aug-07	Sep-07	Oct 07*	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr 08^	May-08	Jun-08
Unaudited NTA	0.585	0.575	0.588	0.596	0.584	0.576	0.521	0.504	0.487	0.483	0.473	0.433

***0.75 cent dividend ^ 0.8 cent dividend**

Strange and Unrelated High Risk Investments

Other speculative investments of Pritchard Equity Limited include a little known Mining Company managed by related party Cameron Stockbrokers Limited, NSX Limited, and little known property company Penrose Club Holdings that owns rural land.

Property Fox Number 1 is in a superior position to Pritchard Equity Limited

	Pritchard as at 31st December 2007	**PF1 as at 30th June 2008**
Shareholders	67	169
Steven Pritchard Controls	64.95%	5.15%
Cash Holdings	$119,284	$1,427,875
Net Assets	$2,259,630	$2,571,924

- PEQB have just 67 shareholders with Stephen Pritchard controlling approximately 65% of those shares;
- Property Fox Number 1 has 169 shareholders with no one shareholder holding over 22% of the vote;
- Pritchard Equity had just $119,284 in cash as at 31 December 2007;
- Property Fox Number 1 had almost 12 times that amount - $1,427,875 as at 30 June 2008;
- Pritchard Equity had $2,259,630 of net assets as at 31st December 2007;
- PF1 had $2,571,924 of net assets as at 30 June 2008;
- Pritchard Equity has a highly speculative portfolio of mostly interrelated companies with uncertain prospects;
- Property Fox Number 1 has a portfolio of independently valued stable properties and significant cash holdings.

8. You stand to lose a large amount of your voting rights – you would have NO effective say in the merged entity

If you accept Pritchard Equity's offer you will receive 1,500 PEQ A Ordinary Shares, 500 PEQ B Ordinary Shares and 68 PEQ Preferred Income Securities for every 20,000 PFAA shares you hold.

The PEQA ordinary shares have **no voting rights**, the PEQ B Ordinary Shares have voting rights and the PEQ Preferred Income Securities have **limited voting rights**.

Steven Pritchard will control 57.19% of the voting rights of the merged company[6] – he will out vote ALL the other shareholders combined!

Due to the way the bid is constructed you will be giving up your ability to influence the running of the company.

You will effectively have NO say in the running of the company.

[6] *Assuming 100% acceptance as per page 25 of Pritchard Equity's bidder's statement*

PEQB Ordinary Shares are the only securities in the bid that give shareholders a right to vote at general meetings of Pritchard Equities. Steven Pritchard is a substantial holder of PEQB shares with current voting power of 64.95%[7].

Assuming a 66% acceptance of the offer, Mr. Pritchard will still control 59.61% of the vote – he alone will outvote ALL other shareholders combined.

> **Assuming a 100% acceptance of the offer, Mr Pritchard will control 57.19% of the vote – he alone will still outvote ALL other shareholders combined. In other words one person will outvote the equivalent of 236 other shareholders!**

This concentration of voting power effectively removes your voice as a shareholder in the direction, management and control of the company. Effectively, you will have no influence whatsoever in the future of the Company.

One shareholder effectively controls the entire decision making process of the company and can make many decisions that would affect every other shareholder.

9. Acceptance of Pritchard Equity's Offer will expose you to significant risk and uncertainty

There are a number of risks and uncertainties surrounding Pritchard Equity's offer. These risks are substantial and in the Directors' opinion would alone render any investment into Pritchard Equity as very high risk.

Beyond that, there are substantial risks to accepting the offer.

Pritchard Equity's bid is highly unlikely to proceed

At the last AGM 75.5% of the votes cast were against the appointment of Mr. Pritchard as a Director of PF1.

While it is conceivable that a few of these shareholders may be attracted to Pritchard Equity's offer, as inadequate as it is, it's hard to imagine that it will gain the necessary 66% required to get effective control and proceed on a limited basis and 90% required to effect compulsory acquisition.

In an announcement following the last AGM of PF1 Peter Spann, the Chairman of PF1 said *"The results of the voting were emphatic and the vast majority of shareholders have voted loud and clear to continue with the Directors' plans to restore value and profitability to the company."* And *"Any further attempts to disrupt this plan will be against the wishes of the majority of shareholders, expensive, time consuming, erode shareholder value and profits further and will NOT be in the best interests of the company."* [8]

Pritchard Equity knows that the company is legally required to formally respond to its bid and this is a very expensive and time consuming process. The offer is unsolicited, significantly below the true value of the company and effectively wastes your money and erodes shareholders' value.

Inability to acquire 90% renders the offer impotent

Given the above it is highly unlikely that Pritchard Equity will acquire 90% of PF1's shares to enable it to move to compulsory acquisition.

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[7] *Page 25 of Pritchard Equity's bidders statement .*
[8] *PF1 announcement dated 4th December 2007*

This may mean:

- Pritchard Equity may not be able to consolidate PF1 for tax purposes.
- Pritchard Equity may not be able to access any potential cash flow from PF1
- Any potential synergies will be difficult to achieve
- PF1 may remain as an NSX listed entity which will result in duplicated corporate costs.

It is possible that you may incur a Capital Gains Tax Liability

If you accept Pritchard Equity's Offer, you will not be eligible to receive CGT scrip-for-scrip rollover relief and may incur a significant liability, unless Pritchard Equity acquires 80% of PF1 which for the aforesaid reasons is unlikely.

Unlikely to satisfy 66% minimum acceptance condition

It is unlikely that Pritchard Equity will receive sufficient acceptances to satisfy its 66% minimum acceptance condition in relation to acquisition of the A class shares. If this is the case the bid may not proceed unless the conditions are varied or waived by Pritchard Equity. In this circumstance, people who have accepted the offer may not have their shares acquired, the company is hampered in carrying out its normal course of business - buying and selling property, the buy-back has been blocked disallowing shareholders the choice of selling for cash at a price higher than the bid, forcing the Directors to focus on analyzing the bid instead of running the company, and a host of other undesirable outcomes. In effect is will be an expensive waste of time.

Risks if you accept Pritchard Equity's conditional offer – you could end up with shares in Pritchard Equity and give up your PF1 shares while PF1 continues to trade

Shareholders should note that, if they accept Pritchard Equity's Offer, they will lose the ability to deal in their Shares unless and until the Offer lapses or a withdrawal right arises.

If Pritchard Equity does not acquire control of PF1, but waives its bid conditions, it may issue you Pritchard Equity Shares in return for your PF1 Shares. In this case, you will lose your exposure to PF1 and end up with shares in an illiquid company.

Substantial Additional Risks

Specific business risks of Pritchard Equity and its investments

Reliance on key personnel

Pritchard Equity discloses that it relies on a number of key personnel, in particular Steven Pritchard. The loss of any key employees, in particular Steven Pritchard, may have a detrimental effect on the Company.

Illuminator Investment Company Limited *(Illuminator)* (which is 16% owned by Pritchard Equity) also relies on a number of key personnel to make investment decisions, in particular Steven Pritchard and Daniel Di Stefano. The loss of any key employees may have a detrimental effect on the company.

Further, the loss of key staff members of Cameron Stockbrokers (which is 33.06% owned (indirectly) by Pritchard Equity) could result in that company losing valuable client relationships and transaction execution skills.

Market price of investments

Pritchard Equity directly and indirectly owns or has an interest in shares in a number of listed companies. The market price of these shares may fall as well as rise.

Concentration of investments

The portfolios of investments held by Pritchard Equity, Henley Underwriting & Investment Company Pty Limited (which is 100% owned by Pritchard Equity) and Illuminator are less diversified than those of many other listed investment companies.

These companies may be unable to identify other suitable companies in which to invest.

Regulatory requirements

The stockbroking industry is regulated by the Corporations Act, and the ASIC, ASX and NSX operating rules. Cameron Stockbrokers is required to hold certain licences and memberships to be able to conduct its business. If Cameron Stockbrokers or its advisers were to breach the requirements of the relevant regulations or licences, the company's ability to conduct its business could be threatened.

The ability of Pritchard & Partners Pty Ltd *(Pritchard & Partners)* to manage Illuminator's portfolio of investments is dependent on the maintenance of Pritchard & Partners' AFS Licence. Maintenance of the AFS Licence depends, among other things, on Pritchard & Partners continuing to comply with the licence conditions and the Corporations Act.

Remuneration of Pritchard & Partners

Pritchard & Partners' remuneration for managing Illuminator's portfolio is based partially on performance, which may create an incentive for Pritchard & Partners to make investments on behalf of Illuminator that are riskier or more speculative than would be the case if the fee were not based on the performance of Illuminator.

Failure of computer systems and other services

Cameron Stockbrokers is dependent on the ongoing efficient operation of its information and accounting computer system. A major hardware or software failure could create delays in processing daily transactions, resulting in abnormal costs if the problem cannot be addressed quickly.

Cameron Stockbrokers relies on ASX to continue to supply and operate efficiently the ITS and CHESS services to enable it to execute orders and settle share trade transactions. A failure of either or both of these services could detrimentally affect the business conducted by Cameron Stockbrokers.

Risks Specific to the Bid

Issue of PEQA Ordinary Shares, PEQB Ordinary Shares and PEQ Preferred Income Securities as consideration under the Offer, Pritchard Equity will issue new PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities. The rights and liabilities attaching to these securities are set out in more detail in Annexure 4 of the Bidder's Statement.
Some Property Fox A Class Shareholders may not intend to continue to hold their PEQ A Ordinary Shares, PEQ B Ordinary Shares or PEQ Preferred Income Securities and may wish to sell them on NSX. If a significant number of Property Fox A Class Shareholders seek to sell their PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities, this may adversely impact the price of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities.

The PEQ B Ordinary Shares entitle the holder to vote at general meetings of Pritchard Equity. However, the PEQ A Ordinary Shares have no voting rights and the PEQ Preferred Income

Securities have limited voting rights and therefore holders of these shares do not have the ability to influence the business or other decisions of Pritchard Equity.

While the PEQ Preferred Income Securities are entitled to a preferential dividend there is no guarantee that either the PEQ A Ordinary Shares, PEQ B Ordinary Shares or the PEQ Preferred Income Securities will provide any return in the event that Pritchard Equity does not make any profits. If Pritchard Equity makes profits sufficient to pay some, but not all, of the dividend on the PEQ Preferred Income Securities then a pro-rata dividend will be paid to the extent of available profits, and the remainder will accumulate for payment at a later date as and when profits permit.

The Company may convert any PEQ Preferred Income Securities into PEQ A Ordinary Shares at any time by giving 60 days written notice.

The PEQ A Ordinary Shares and PEQ B Ordinary Shares being offered as consideration under the Offer have only had limited on-market trades and the PEQ Preferred Income Securities were quoted on 28 May 2008 and have not yet been traded. The substantial shareholding of Mr Steven Pritchard in Pritchard Equity further reduces the liquidity of these securities.

In comparison to Property Fox No.1 Limied, the securities of Pritchard Equity are closely held with Mr Steven Pritchard being the controlling shareholder. The presence of this controlling shareholder is likely to diminish the likelihood of a third party takeover offer.

Risks Related to the Potential Integration of the Two Businesses

Pritchard Equity expects that value can be added for shareholders of the Merged Entity by the efficient integration of the businesses. As the businesses are unrelated it is highly unlikely there will be much in the way of efficiencies. Regardless the size of both businesses will make the efficiencies negligible. If Pritchard Equity is unable to acquire 100% of Property Fox A Class Shares under the Offer, it may not achieve all of the potential benefits referred to in the Bidder's Statement.

Property Fox assets

Pritchard Equity may not be able to dispose of one or more of Property Fox's property investments acquired as a result of the Offer, when desired, or for full value. As a consequence, the apparent value of an investment may not be realised.

General economic and market risks

Sharemarket considerations

PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities are listed on NSX, where their prices may rise or fall from day to day. PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on NSX. The value of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities may be determined by the stock market and will be subject to a range of factors, many of which are beyond the control of Pritchard Equity.

The performance of companies in which Pritchard Equity has a direct or indirect interest may also be adversely affected by general share market conditions.

Economic and other considerations

The future earnings of Pritchard Equity and the value of its investments may be materially affected by the general economic climate and other factors beyond the control of the Company, including, but not limited to, variations in legislation and government policies, taxation laws, exchange rates and short and long term interest rates.

10. A future plan for PF1 that advantages ALL shareholders

Your Directors believe that PF1 is in good financial and operational shape and is positioned to take advantage of the recovery of property markets. This is backed up by the Independent Expert's report.

Despite 75.5% of votes cast voting to reject Mr. Pritchard's prior attempt to be appointed as a Director of the company he continued to threaten ongoing actions of this nature.

These ongoing actions are having a serious detrimental effect on the value of the Company. Mr. Pritchard's actions at the last AGM cost the Company thousands of dollars in legal and registry fees and the current legal fees to provide the response required by the Corporations Act are already in excess of $30,000 and could go as high as $60,000. These are NOT optional costs. The Directors of PF1 are legally bound to respond to the Bidder's Statement and these costs are directly caused by Pritchard Equity's unsolicited and inadequate bid. At $60,000 in unnecessary costs, A Class shareholders will have lost another 1.3 cents per share. It is an extraordinary waste of money given the unlikely prospects of its success.

A few months ago, in order to seek some resolution, the Directors through its representative, approached Mr. Pritchard a number of times to discuss the future of the company to benefit <u>all</u> shareholders. This was a genuine effort to restore shareholder unity, value and plan a bright future for the company. He rejected those approaches.

> **The Directors have now formed a view that the best way forward is to return to you the accumulated cash in the Company.**

This action returns the capital to **you** and gives you the choice of how to manage it.

This lowers the interest in the company as a target for asset strippers.

Shareholders will be significantly better off with cash in their hands and with an amount substantially more than the value of this offer – up to 50 cents per share for 45% of the shares you are currently holding.

The Directors' plan would be to **return ALL surplus cash to you** by way of a buy-back. This is tax effective and fair to all shareholders.

At the conclusion of the buy back the Directors would seek to sell the remaining assets of the company in an orderly manner so as to not further disadvantage prices.

Once those sales are complete a future distribution of cash would be made to shareholders either by way of dividend or by winding the company up.

The Directors would then seek to sell the company or if not possible in a reasonable timeframe wind the company up. You will remember it was originally envisioned that the company would be wound up towards the end of this year and so we would be returning to the original plan.

While this would "lock in" capital losses it would allow you to take the cash returned to you and invest it and benefit from it in any way you wish.

This plan would need to be approved at an EGM or Annual General Meeting. The Directors will be seeking your support to implement the plan.

The Directors believe the plan put forward at the last AGM would have worked to restore shareholder value over time but with the ongoing threats from Pritchard and associated entities, the only intelligent plan is to return cash to shareholders.

Any alternative takes control out of your hands, is long term at best and has associated risks and costs.

The Directors' plan puts cash back into your hands, allows you to control your future investing, does so with little or no cost to you and solidifies and makes certain the future of the cash and the company.

> It is important to note that Mr. Peter Spann, Fox Portfolio Pty Limited, the Directors of PF1 or any associate of Mr. Peter Spann will not receive any capital distribution as a result of implementing this plan. They will receive **no** profit, incentive or additional remuneration through this plan.

11. Response to assertions made in the bidder's statement.

Property Fox's Loan to Freeman Fox Property WAS in the best interest of shareholders (it saved the PF1 shareholders $135,000)

In September 2003 the Independent Directors of PF1 (Peter Spann abstained from voting) approved a loan to Freeman Fox Property Pty Ltd ("FFP") which was made in 2004. The loan did not require specific shareholder approval as it was made in the normal course of business.

It was reported in the company accounts for that year and discussed in detail at the AGM for PF1 in that year.

In the first years of operation PF1 bought a number of unit blocks for refurbishment and resale. The prospectus for the company disclosed that FFP, which is a related party to Managing Director Peter Spann, was tasked with selling those apartments. It also disclosed the fees to be paid to FFP.

In order to sell the apartment stock of the company additional staff and a marketing campaign was needed.

A campaign for an individual property can range in cost between a few hundred dollars to more than twenty thousand dollars depending upon the value of the property and the exposure required. This campaign was for a large number of apartments and was budgeted at approximately $135,000 including telemarketing, additional sales agents, advertising, a direct mail campaign and brochures.

Normally the vendor, in this case PF1 would pay the marketing costs of any campaign.
This is normal commercial practice.

In order to benefit the shareholders, the Directors at the time negotiated with FFP to pay the marketing costs, however at the time FFP simply did not have the funds.

The Directors suggested that PF1 could loan the funds to FFP as long as they were repaid from commissions from the sales. This was initially a short term interest free loan.

> These were expenses that would normally have to be funded by the vendor (PF1) and were saving the company the cost of $135,000+.

When the sales were slower than anticipated, interest was added to the loan at commercial terms. The loan was repaid in full in 2006.

Pritchard Equity implies this was against the interests of the shareholders, however the choice was a $135,000 cost to the company or a profit from interest paid to the company by FFP.

The Directors at the time were totally independent and had no other association with Peter Spann.

Peter Spann did not suggest the loan, participate in any discussions with regards to this loan nor did he vote on it. The Directors were acting in the best interests of the shareholders in this arrangement by negotiating that FFP would pay for expenses that would normally be incurred by PF1.

Fees have been adjusted to just $12,000pa

In their bidder's statement Pritchard Equity includes $247,323 in costs that would have been charged by non-related parties regardless.[9] They also include $148,975 in Director's fees paid to Independent Directors.[10] No Director would serve on a company's board without remuneration of some kind. The current remuneration of $12,000 per annum for the two executive directors (the Managing Director, Mr Peter Spann does not receive a Director's fee) is well below the commercial rate payable to directors of listed public companies. Normally a Director of a public company would receive at least $40,000 to $50,000 pa for being on the board.

The company was charged $110,000 per annum to be managed by Fox Portfolio Pty Ltd (a related company to Managing Director Peter Spann). Mr Peter Spann did not start the company for the purpose of receiving management fees, but rather in the hope, like you, that the company would be successful and he would share in the profits. A management fee of $110,000 per annum was not an extraordinary fee to manage the company.

This fee was disclosed in the original Prospectus for the company. All potential investors, prior to investing had the opportunity to assess if those fees were appropriate. Regardless, last year, Fox Portfolio Pty Ltd, the Manager, reduced the fees to manage the company to just $12,000pa. Including Directors' fees the company's total cost to manage is just $36,000 per annum.

It is the Directors view that the running costs, such as, rent, utilities, administration, accountancy and compliance costs would exceed $110,000 per annum in the normal course of business.

The topic of fees was discussed in detail with shareholders last year at the AGM of the company when it was confirmed that there would be a reduction in fees from $110,000 per annum to just $12,000 per annum.

Fees are always a very sore point with investors especially when an investment does not perform, but Pritchard Equity does not disclose what it would have charged to manage the company in the same six year time frame or indeed what the management fees would be for a comparable company of this type.

There are a number of related party fees pertinent to Pritchard Equity and the investments Pritchard Equity owns. Examples of these fees are as follows:

- Management Fees payable to Pritchard & Partners Pty for the management of Pritchard Equity Limited;
- Performance Fees payable to Pritchard & Partners Pty for the management of Pritchard Equity Limited;
- Management Fees payable to Pritchard & Partners Pty for the management of Illuminator Investment Company Limited;
- Performance Fees payable to Pritchard & Partners Pty for the management of Illuminator Investment Company Limited;

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[9] *This is the total of the commissions paid for sales of property and loan guarantee fee paid as disclosed at page 9 of the Bidder's Statement dated 1st September 2008.*
[10] *This is the total of the remuneration of Directors of PF1 as disclosed at page 9 of the Bidder's Statement dated 1st September 2008.*

- Brokerage fees payable to Pritchard & Partners Pty Ltd in relation to share purchases;
- Accounting fees payable to Rees Pritchard Pty Ltd,
- Registry fees payable to Newcastle Capital Markets Registries Pty Ltd and sponsoring broker and
- Nominated Adviser Fees payable to Pritchard & Partners Pty Ltd.

The Directors assert that the fees being charged to PF1 are more easily calculated and identifiable.

This makes the current fees being charged to PF1 considerably below market rates and considerably below what the Directors believe Pritchard Equity would charge you to manage the company.

Shareholders would be wise to treat with caution the preferential dividend of the PEQ Preferred Income Securities

Pritchard Equity asserts that PF1 can only pay dividends from profits. This is true, however they then state that there is no guarantee that Pritchard Equity will make profits in the future to enable it to pay dividends on the PEQ Preferred Income Securities.

Pritchard Equities is subject to the same risks and market forces as all other companies. It is the Directors assertion that PF1 is in a better, more stable capital position with superior assets.

Pritchard Equity has no plan for PF1

Pritchard Equity's management currently manage, mainly, stock market related investments which is a different business and unrelated to the assets of PF1. Remembering that one shareholder will control the majority of voting power, this may mean that the mandate of PF1 can be changed by Pritchard Equity by outvoting the existing PF1 shareholders. Pritchard Equity does not state or disclose what investment opportunities it will pursue and given the performance of Pritchard Equity's current investments PF1 Shareholders would be wise to exercise caution.

Pritchard Equity's portfolio is not diversified – it is highly concentrated in related party companies that are illiquid

Pritchard Equity is a small company. Its market capitalization is only $1.76m. It is unlikely to be an attractive investment for additional capital even with the combined assets of PF1.
In their bidder's statement Pritchard Equity says "the merged entity is expected to have access to cash reserves in excess of $1.8m."[11] **It is important to note that $1.4m of that capital will come directly from PF1.**

Pritchard Equity directors will have majority voting control of any merged entity – this is not alignment with the interest of other shareholders

If the Bid is successful, then, the directors of Pritchard Equity will have majority voting control of any merged entity. One shareholder alone, Steven Pritchard will be able to outvote ALL other shareholders combined.

This is NOT alignment with the interest of the shareholders.

The majority of Pritchard Equity's investments are in associated companies that have common directors to that of Pritchard Equity.

There are multiple layers of potential conflicts of interests.

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[11] Extracted from Page 39 of the Bidder's Statement of Pritchard Equity dated 1st September 2008

PF1's Directors believe that these two factors combined show significant misalignment of interest and shareholders should consider these issues with extreme caution.

The liquidity of Pritchard Equity is unlikely to improve to a level where a free and fair market with volume can be expected by shareholders

While the Directors agree that it is possible that a small improvement to liquidity may occur post merger the combined entity would still be a micro company where the ownership of the shares is highly concentrated.

With one shareholder controlling majority voting power, related party investments, a high risk concentrated portfolio of investments, limited scope for growth or additional capital raising, and virtually an unknown mandate and strategy this is highly unlikely to be an attractive target for investors.

It is more than likely that liquidity will stay the same or decrease given the removal of PF1's share buy-back strategy.

Pritchard Equity has blocked <u>better alternatives</u> for shareholders

The buyback of shares carried out by PF1 was conducted at a discount to NTA .

The volume weighted average of the buyback price was 46 cents per share, which exceeds the amount offered by Pritchard Equity.

Shareholders could have taken advantage of the buy back, receiving immediate payment for their shares in cash.

The bid by Pritchard Equity has as a condition that the company does not enter into a buy-back agreement.

The risks in accepting the offer far outweigh any risk in rejecting it

The risks in rejecting the offer revolve around any potential decline in the value of the properties PF1 holds and the ongoing operational costs of the company. The Directors of PF1 believe that the assets owned by the company are fully written down and have potential for upside. In addition, the cash at bank is known to investors and your Directors are working on a plan to return up to 50 cents per share to you for 45% of your shares.

The risks in accepting the offer from Pritchard Equity are high and include:

You lose your PF1 shares and PF1 continues successfully

If you accept the consideration prior to the offer going unconditional you may be stuck with Pritchard Equity shares and lose your exposure to PF1.

If Pritchard Equity change or withdraw the conditions of its offer and you have accepted it you may lose your investment in PF1 even though the bid is unsuccessful at securing the required 66% to proceed under the current conditions. In this circumstance PF1 would continue to trade and you would lose your exposure to its assets which are approximately 50% in cash. You would also lose the possibility of a cash return from PF1.

Due to illiquidity, if you attempt to sell your Pritchard Equity shares, you may not achieve a reasonable price

With no sales for over 16 months and little interest in the shares it is highly unlikely the quoted share price of Pritchard Equity could withstand anybody attempting to sell a reasonable quantity of shares. In this circumstance you could be forced to accept a price far lower than the consideration being offered to you by Pritchard Equity or the Net Tangible Asset Backing of PF1.

3. Answers to Frequently Asked Questions

3.1 Is there a number that I can call if I have other questions in relation to Pritchard Equity's Offer?

If you have any questions about Pritchard Equity's offer, please call the PF1 Shareholder Information Line on 07 3031 9950

3.2 What should I do?

To **REJECT** Pritchard Equity's Offer, simply DO NOTHING- disregard all documents sent to you by Pritchard Equity. To accept Pritchard Equity's Offer follow the instructions contained within the Bidder's Statement.

3.3 What do the Directors of PF1 recommend I do?

Your Directors unanimously recommend that you **REJECT** Pritchard Equity's Offer which they consider to be inadequate and opportunistic.

The key reasons why the Directors unanimously recommend you **REJECT** Pritchard Equity's Offer are:

1. The Independent Expert has determined the bid is **neither fair nor reasonable** – the Directors of PF1 agree – reject the offer;
2. **No cash** is offered – the Directors have a plan that will return cash to you;
3. **Pritchard Equity's shares are illiquid** – they rarely, if ever trade;
4. Correctly valued **the offer is, at best, only 33 cents** per share[12] - there is **NO premium offered** – correctly valued the offer is a 42% discount to the audited NTA of PF1 as at 30th June 2008;
5. The audited Net Tangible Assets of the company are worth **42% more** than the bid based on a 33 cent per share estimated value;
6. The sustainability of Pritchard Equity's current share price is questionable;
7. Pritchard Equity is offering you shares in a business with little diversity, related party investments some of which are **declining in value;**
8. You **lose** a large amount of **your voting rights** – you will have limited say in the future of the company;
9. Acceptance of the offer will expose you to **significant risk and uncertainty;**
10. The Directors of PF1 have a plan that will return cash to you and participate in any potential capital growth from the current investments of PF1.

3.4 What are the tax consequences of Pritchard Equity's Offer?

Capital Gains tax rollover relief will not be available as Pritchard Equity will not gain control of greater than 80% of the voting shares. See Section 6.2(e) of the Bidder's Statement for further details

[12] Based on a VWAP calculation of the consideration being offered and a 30% discount to the issue price of the PEQ Preferred Income Securities

3.5 Will I be forced to sell my PF1 Shares?

You cannot be forced to sell your PF1 Shares unless Pritchard Equity proceeds to compulsory acquisition of your PF1 Shares. Pritchard Equity will need to acquire at least 90% of the PF1 A class Shares in order to exercise compulsory acquisition rights. If Pritchard Equity acquires more than 90% of PF1 and proceeds to compulsory acquisition, then you will be paid the same consideration as is payable by Pritchard Equity under Pritchard Equity's Offer.

3.6 What choices do I have as a PF1 Shareholder?

As a PF1 Shareholder you will have the following choices:

- REJECT Pritchard Equity's Offer, in which case you do not need to take any action;
- Sell some or all of your PF1 Shares on market at any time, which may be at a higher or lower price than the implied value of your PF1 shares under Pritchard Equity's Offer; or
- Accept Pritchard Equity's Offer, in which case you should follow the instructions on the acceptance form sent to you with the Bidder's Statement. Once you have accepted you may not sell your PF1 shares on market or withdraw your acceptance other than in the circumstances mentioned in Section 7.4 of this Target's Statement.

Your Directors unanimously recommend that you REJECT the Pritchard Equity Offer.

3.7 What is Pritchard Equity offering for my PF1 Shares?

Pritchard Equity is offering Consideration of 0.075 PEQ A Ordinary Shares, 0.025 PEQ B Ordinary Shares and 0.0034 PEQ Preferred Income Securities for every Property Fox A Class Share.

3.8 What is the value of Pritchard Equity's Offer?

The value of Pritchard Equity's Offer depends on the market price of Pritchard Equity's Shares.

The following table sets out the implied value of Pritchard Equity's Offer assuming different market prices of the various Shares being offered in exchange for your PF1 A Class Shares.

PEQ A Price	PEQ B Price	PEQ Preferred Income Securities	Implied Offer Price per PF1 Share
$1.10	$1.10	$100	$0.45
$1.00	$1.00	$90	$0.41
$0.90	$0.90	$80	$0.36
$0.80	$0.80	$70	$0.32
$0.70	$0.70	$60	$0.27
$0.60	$0.60	$50	$0.23
$0.50	$0.50	$40	$0.19
$0.40	$0.40	$30	$0.14
$0.30	$0.30	$20	$0.10
$0.20	$0.20	$10	$0.05
$0.10	$0.10	$0	$0.01

PEQ A, PEQ B and PEQ Preferred Income Securities Latest Share Prices can be obtained from www.nsxa.com.au under the NSX code PEQA, PEQB and PEQPA respectively.

3.9 What are the conditions of Pritchard Equity's Offer?

Pritchard Equity's Offer is subject to the fulfillment (or in certain circumstances, the waiver by Pritchard Equity) of certain conditions summarized in Section 7 of this Target's Statement and set out in Section 7 of Annexure 1 of the Bidder's Statement. These conditions include those summarized below:

a) a 66.0% minimum acceptance condition;

b) conditions relating to certain material transactions, prescribed occurrences, material adverse changes and the conduct of PF1's business;

c) a condition which is triggered if the S&P/ASX 300 index falls below 4250 at any time;

d) that no event occurs which results in the value of the net tangible assets falling below $2,750,000 for at least five consecutive days; and

e) that none of the prescribed occurrences occur before the end of the Offer Period.*

***Above is a summary of certain conditions imposed by the bidder, Pritchard Equity in relation to its takeover offer. For a full description of all the conditions of the offer Shareholders should read Section 7 of the Bidders Statement at page 61 of the Bidder's Statement.**

3.10 What are the risks associated with becoming a Pritchard Equity Shareholder?

If you accept Pritchard Equity's Offer and become a Shareholder of Pritchard Equity your investment will be subject to risks associated with Pritchard Equity's business.

Further information about the risks associated with an investment in Pritchard Equity (including where it acquires PF1) are set out in Section 5 of the Bidder's Statement.

3.11 What is a Bidder's Statement?

The Bidder's Statement is a document containing the detailed terms of Pritchard Equity's Offer. Pritchard Equity lodged its Bidder's Statement with the NSX, ASIC and PF1 on 1st September 2008. Copies are available on the NSX website.

3.12 When would I receive my Offer consideration?

If you accept Pritchard Equity's Offer, and Pritchard Equity's Offer becomes unconditional, you will receive the Pritchard Equity PEQ A Shares, the PEQ B Shares and the PEQ Preferred Income Securities to which you are entitled to under the Offer by the earlier of

- One month after the Offer is accepted or one month after all of the conditions have been fulfilled or removed; and
- 21 days after the end of the Offer Period.

3.13 What happens if the conditions are not satisfied or waived?

If the conditions of Pritchard Equity's Offer are not satisfied or waived by the closing date, Pritchard Equity's Offer will lapse and you will continue to be a PF1 Shareholder (unless you otherwise sell your PF1 Shares).

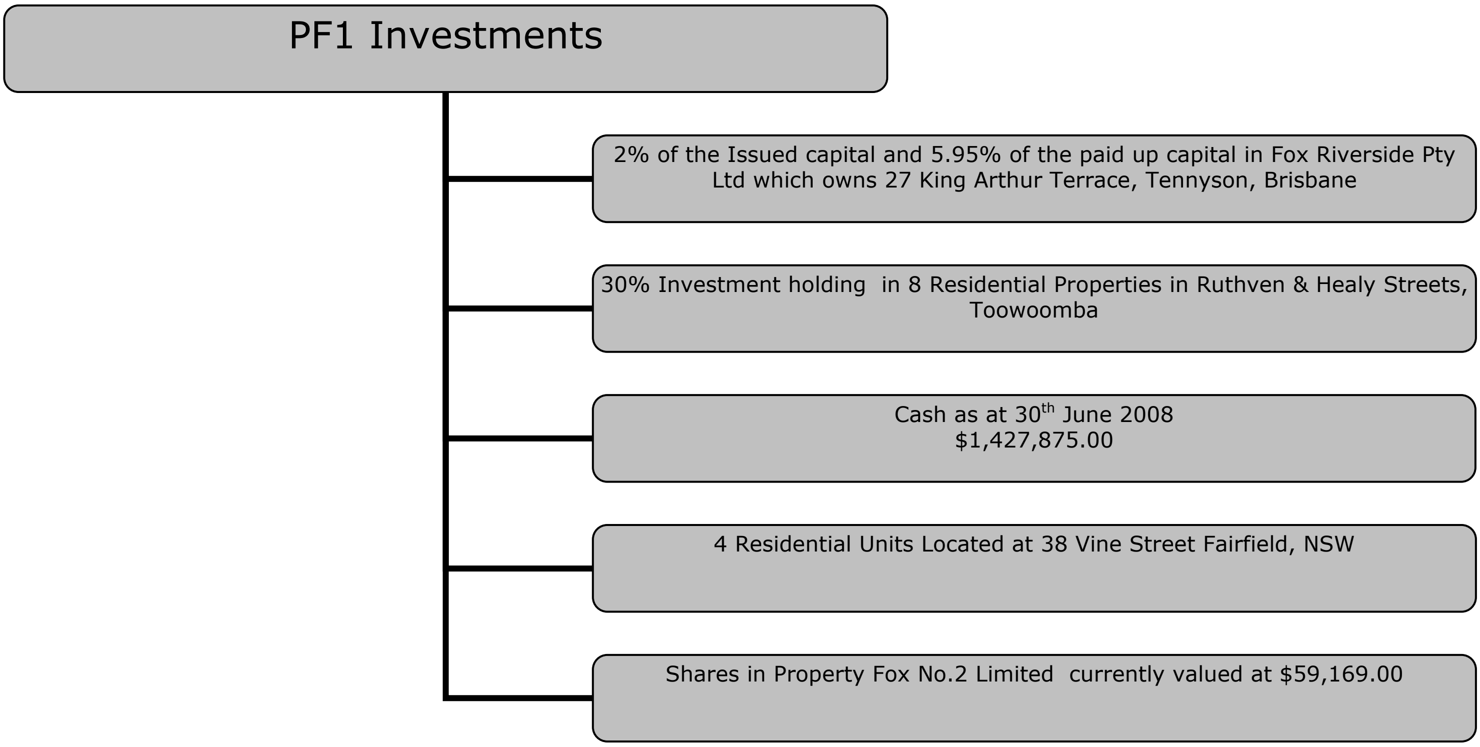
3.14 What happens if the conditions of Pritchard Equity's Offer are satisfied or waived by the closing date?

If there is any change to Pritchard Equity's Offer, your Directors will consider the changes and advise you of their position.

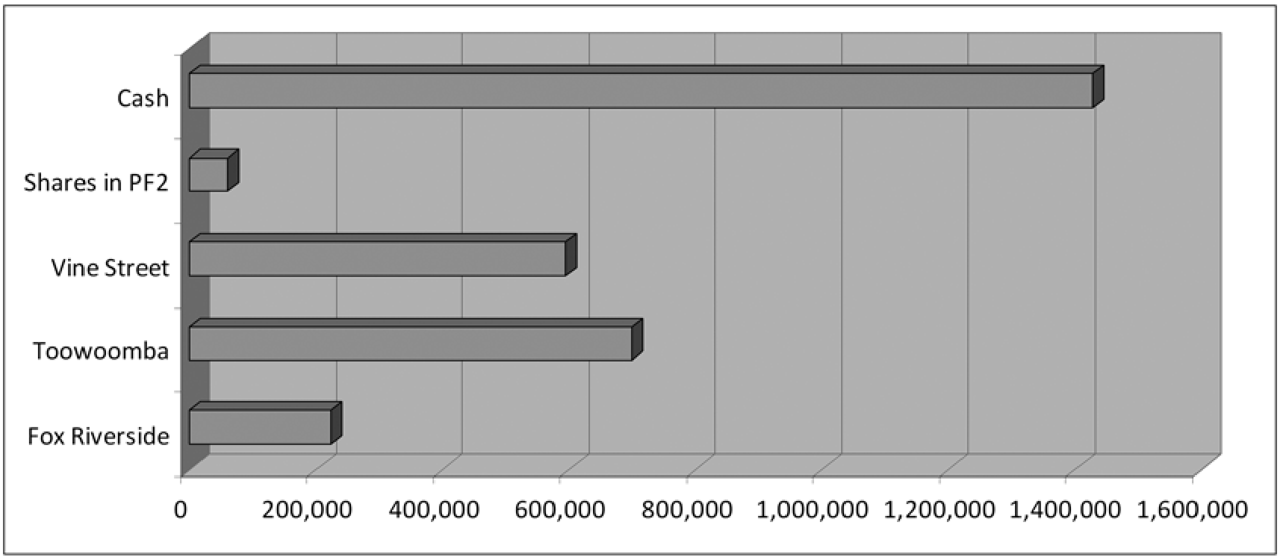
4. Profile of PF1

4.1 Business overview

PF1 is a diversified property investment company which has holdings in a range of residential properties in New South Wales and Queensland and a significant cash holding.



ASSET DISTRIBUTION BY VALUE



*The above information is based on the carrying values of the various assets of the company as at 30th June 2008.

4.2 Current Investments of Property Fox No.1 Limited

Fox Riverside Pty Ltd

The Company owns 2% of the issued capital of Fox Riverside Pty Limited, which entitles it to 5.95% of the profit and capital distribution. Fox Riverside Pty Ltd is engaged in a joint venture which owns two blocks of Brisbane riverfront land with a development approval to construct two prestige homes. As announced to the market on 3rd July 2008, the directors of Fox Riverside Pty Ltd have listed the property for sale. The public auction for the property is being held on 27th September 2008.

Toowoomba Property Holding

The Company owns a 30% share in 8 contiguous properties comprising houses and flats in the central area of Toowoomba. PF1 obtained two valuations of the properties in June 2008. After taking the average of the two valuations the properties have shown an increase of $326,130. The Company's 30% share of this increase is $97,839. As the Company values its properties at the lower of cost or market value, this increase has not been taken up in the accounts but the Directors believe it is still a real increase in value of the asset.

38 Vine Street Fairfield NSW – 4 home units in a block of 12.

The building is in the process of conversion to strata title, and the company is working with the body corporate to complete this as quickly as possible. Although the company had a number of offers to purchase these units at close to their book value, the purchasers were unable to obtain finance. Recent increases in interest rates have affected values in the Fairfield area severely, which was reflected in the valuation of the properties obtained in June 2008. As a result the company marked the aggregate value of these units down by a further $186,000. This values each unit at about $155,000 but comparative units in the area which are strata title are valued about 20% higher.

Cash at Bank

As at 30th June 2008 the sum of $1,427,875.00 was held by the company with the major portion being in an interest bearing account with the National Australia Bank.

4.3 Directors of PF1

Information on Directors and Company Secretary

Peter John Spann–Executive Director and Managing Director.

Peter is the founder of the Freeman Fox group of companies and is a well known public speaker. Peter has had a wealth of experience in real estate investments over the past ten years, having purchased and sold, either directly or through related entities, many investment properties.

Peter has been featured in numerous magazine, television and newspaper articles, including a cover story in the March 2001 edition of 'Australian Property Investor' magazine.

Prior to establishing the Freeman Fox group of companies, Peter had a career in marketing, and worked as a marketing consultant for Fullife Pty Limited, Smaartco Pty Limited, and Results Corporation Pty Limited.

Peter is also a director of Fox Invest limited, a company listed on the Australian Securities Exchange and Property Fox No 2 Limited listed on the NSX as well as being a director of many other unlisted companies.

Howard Woolcott - Executive Director

Howard has an economics degree from the University of Sydney with majors in revenue law and accounting and he is also a CPA.

He was a founder and past director of listed public company Tribeca Learning Limited, a Registered Training Organisation specialising in education services for the financial planning industry. He is a director of Fox Invest Capital Limited, a company listed on the Australian Securities Exchange, a director of Property Fox No 2 Limited, listed on the NSX and a director of a number of other private companies.

Jodie Stainton - Executive Director

Jodie Stainton began her property career as a Cadet Valuer while studying Property Economics at the Queensland University of Technology. She has worked in all facets of property including Residential and Commercial Sales and Property Management, specialising in prestige Real Estate.

Jodie is General Manager-Property Management for Bees Nees Inner City Realty, which is a boutique real estate agency specializing in Brisbane inner city properties. Jodie is a registered Real Estate Sales person. She is also a director of Property Fox No 2 Limited, listed on the NSX.

Andrew Whitten – Company Secretary

Andrew Whitten is an admitted solicitor with a specialty in Corporate Finance and Securities Law. Andrew is currently the company secretary of a number of publicly listed companies. He is a responsible officer of a Nominated Adviser, and has been involved in a number of corporate and investment transactions including Initial Public Offerings on ASX and NSX, corporate reconstructions ,reverse mergers and takeovers.

Mr Whitten's firm is Nominated Adviser to 7 companies, 5 of which are currently listed on the NSX and 2 more of which will be listed shortly. Mr Whitten holds the following professional qualifications Bachelor of Arts (Economics UNSW), Master of Laws and Legal Practice (Corporate Finance and Securities Law-UTS). Mr Whitten also holds a Graduate Diploma in Advanced

Corporate Governance from the Institute of Chartered Secretaries and is an elected Associate of that institute. Mr Whitten is also a registered Public Notary.

4.4 Management of PF1

PF1 is managed by Fox Portfolio Pty Ltd under a management agreement. Fox Portfolio Pty Ltd, the Manager is owned and controlled by Peter Spann, the Managing Director of PF1.

Management Agreement- Material Terms

Term - The Term of the Management Agreement is that it shall continue until determined by Mutual Agreement by Fox Portfolio Pty Ltd and PF1 and/or;

Property Fox terminates the agreement, under the following conditions:

Under the management agreement Property Fox No.1 Limited has the right to terminate the Management Agreement if:

a) Fox Portfolio does not follow lawful directions of the Board of PF1;
b) Fox Portfolio commit any breach of faith, serious neglect, default of professional misconduct or gross misconduct in respect to its obligations to PF1;
c) An order is made that Fox Portfolio be wound up or an administrator or liquidator is appointed to manage the affairs of Fox Portfolio;
d) A receiver is appointed in respect of any of the assets of Fox Portfolio;
e) Fox Portfolio files an application for its winding up or for the appointment of a liquidator.

Fox Portfolio Pty Ltd terminates the agreement under the following conditions:
Under the management agreement Fox Portfolio Pty Ltd has the right to terminate the Management Agreement if:

a) PF1 fails to pay the agreed fee (currently set at $12,000 per annum);
b) An order being made to appoint an administrator, liquidator or wind up PF1;
c) A receiver is appointed in respect of the assets of PF1;
d) PF1 files an application for its winding up or for the appointment of a liquidator.

5. PF1 Historical Financial Information

5.1 Introduction

This Section sets out, in summary form, certain key historical financial information for the year ended 30th June 2008.

The financial information in the 30th June 2008 Audited Financial Statements has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (A-IFRS).

The financial information in this Section is presented in an abbreviated form. PF1 Shareholders should refer to PF1's audited annual financial statements for the 2007 and 2008 financial years for more detailed disclosures in relation to the historical financial performance, financial position and accounting policies of PF1. These are available from the NSX website www.nsxa.com.au. Alternatively, PF1 will forward any announcement that it has lodged with NSX within the previous 12 months from the date of this Target's Statement to any shareholders who requests a copy of an announcement free of charge. If you wish to obtain a copy of an announcement you can contact the company on 07 3031 9950.

5.2 Financial Summary

Income Statement	**FY08**	**FY07**
	$	**$**
Revenue	1,382,707	2,289,255
Cost of sales	1,170,000	1,930,162
Borrowing costs	39,989	138,262
Professional fees	139,682	77,366
Company management fees	12,000	104,068
Impairment of assets	257,000	-
Other expenses	122,594	236,707
Net Loss	**(358,558)**	**(197,310)**
Loss per share	**6 cents**	**3 cents**
Balance Sheet		
Cash and cash equivalents	1,427,875	1,279,887
Trade and other receivables	51,864	102,217
Inventories	1,293,111	2,649,111
Financial assets	283,939	353,499
Total Assets	**3,056,789**	**4,384,714**
Trade and other payables	38,615	63,919
Borrowings	446,250	1,166,250
Total Liabilities	**484 865**	**1,230,169**
Net Assets	**2,571,924**	**3,154,545**
Shareholders Equity		
Issued Capital	**4,506,711***	**4,730,350**
Accumulated losses	**(1,934,787)**	**(1,576,229)**
Total Equity	**2,571,924**	**3,154,545**

*Share buy-back during the year amounted to $223,639

The company accounts for its inventories at the lower of cost or market value. The accounts do not show increases in the value of its properties when they occur. Valuations of the Toowoomba properties in June 2008 showed an increase in value and PF1's 30% share of the average increase amounted to $97,839 which has not been shown in the audited financial statements of PF1.

The above information is a summary only of the audited financial statements for the year ended 30th June 2008. For more information and/or copies of the audited annual financial statements of PF1 please contact the company. The full audited financial statements are also available from the NSX website at www.nsxa.com.au

5.3 No Forecasts

The Directors have decided that due to the uncertain nature of the property market not to make any forecasts or projections with regards to the financial performance of the company in the future.

5.4 Key risks to the financial performance of the company

Investors should be aware of the following key risks that may affect the future operating and financial performance of PF1 and the value of PF1 Shares. These risks include general risks associated with any form of business and specific risks associated with PF1's business.

5.4.1 Economic Conditions

Adverse changes in economic conditions such as interest rates, exchange rates, inflation, government policy, international economic conditions and employment rates (amongst others) are outside PF1's control and have the potential to have an adverse impact on PF1 and its operations.

5.4.2 Stock market fluctuations

There are risks associated with any investment in a company listed on the NSX. The value of PF1's Shares may rise above or below the current price depending on the financial and operating performance of PF1 and external factors over which the PF1 Directors have no control. These external factors include:

- Economic conditions in Australia and overseas, which may have a negative impact on equity capital markets.
- Changing investor sentiment in the local and international stock markets,
- Changes in domestic or international fiscal, monetary, regulatory and other government policies.
- Developments and general conditions in the markets in which PF1 proposes to operate and which may impact on the future value and pricing of shares.

5.4.3 Regulatory risks

PF1 is exposed to changes in the regulatory conditions under which it operates.

Such regulatory changes can include, for example, changes in:

- Taxation laws and policies.
- Accounting laws, policies, standards and practices.
- Property laws and regulations that may impact upon the operations and processes of PF1.
- Employment laws and regulations, including laws and regulations relating to occupational health and safety.

5.4.4 PF1 Specific Risks

(i) Industry Risks

PF1 operates in the property sector. Any variance in the level of activity in this sector will be influenced by factors that may have an adverse effect on operating results and are beyond the control of PF1 including:

- Property prices and supply and demand.
- Interest rates.
- Competitiveness of Australian building and construction operations.
- Availability and cost of key resources including people, equipment and critical consumables.
- Local, State and Federal Taxation

(ii) Increased or new competition

PF1 faces competition in its businesses, to the extent that there are new entrants or changes in strategy by existing competitors of PF1.

(iii) Property Investment specific risks

The following are specific risks associated with any property investment company and in the shares of a Company whose activity is investment in and development of real estate. Many of the risks are outside the control of the Company.

Significant risks and effects are listed below:

- Unexpected structural defects or building deficiencies being encountered resulting in unexpected expenses being incurred for repair or refurbishment;
- Increases in interest rates occurring resulting in the Company incurring increased holding expenses including additional interest on borrowings;
- Increases occurring in the cost of building materials and of labour resulting in increased cost of repairs and refurbishment,
- A downturn in the property market occurring (for reasons such as increases in interest rates, cyclical movement in the real estate market and depressed or unstable general economic conditions) resulting in delays being incurred in re-sale of properties and/or depressed prices being achieved on the re-sale of properties and/or the Company having to incur increased interest and other holding costs;
- Variations occurring in the real estate market between supply and demand causing adverse fluctuations in real estate prices;
- Management problems being experienced in relation to rent collection, disputes with building and other trade contractors and tenants' disputes;
- Changes being effected to laws relating to property development (including laws relating to zoning and town planning restrictions on land use, environmental controls, landlord and tenancy controls, user restrictions, stamp duty, land tax, income taxation and capital gains tax). These changes could adversely affect the profitability and viability of real estate development operations;
- Should town planning approval be required for any transaction then unexpected delays and increased holding costs may be encountered whilst the application is proceeding. It is possible that the approval will not be granted or will be granted on unfavourable terms;
- Improvements effected to property do not necessarily result in increases in value. Increases in value may not always occur at a steady rate or in line with expenditure on improvements;
- A purchase contract not being completed (either because of sellers' default or for any other reason) resulting in the company losing the benefit of any repairs or refurbishment it may have undertaken and paid for in relation to the subject property and/or the company entering into litigation with a defaulting seller and thereby incurring legal expenses.
- If as a result of any of the risk factors set out above or any other untoward circumstances the company requires further funds in order to meet operational expenses including expenses associated with the holding and/or developing of any parcel or parcels of real estate acquired by it then the company may, in the discretion of the directors:
    - undertake a further public capital raising,
    - borrow funds (or further funds) from a bank or other financial institution;
    - liquidate the company

      Each of these actions could result in the value of your investment (shareholding) being diminished;

- Your shareholding will potentially diminish in value if properties acquired by the company are unable to be sold in a timely manner at acceptable prices or if the company is required to meet higher than expected interest charges on borrowings and other holding expenses;
- Timing of acquisitions and sales in the real estate property market in order to maximise profits and minimise losses on trading is extremely difficult, even for experienced professional investors. If the property market suffers a downturn during the course of the company's trading operations then the company may, in order to avoid or minimise losses, need to hold real estate acquisitions for longer periods than would otherwise apply;
- It is possible that moneys expended by the company on real estate acquisitions and on repairs and refurbishment and on interest, holding and operational costs may exceed the proceeds of the sales.

(iv) Reliance on key personnel

The responsibility of overseeing day-to-day operations and the strategic management of PF1 is concentrated amongst a small number of key executives. The loss of any such key employees could have the potential to have a detrimental impact on PF1 until the skills that are lost are adequately replaced.

(v) Industrial disputes

Industrial disputes may arise from claims for higher wages and/or better working conditions in the industry in which PF1 operates. This could disrupt operations and impact on the future of PF1.

5.5 Additional relevant information

Transaction costs

PF1 currently expects the costs and expenses likely to be incurred in responding to Pritchard Equity's Offer to be approximately $100,000.00, assuming Pritchard Equity's Offer is unsuccessful and no new or revised offer is made.

6. Interests of Directors

6.1 The Directors recommend that you reject Pritchard Equity's Offer

Each of the Directors and the entire Board of PF1 has unanimously resolved to recommend to shareholders that they **REJECT** Pritchard Equity's Offer.

6.2 Interests of Directors in PF1 Shares

The number and description of PF1 Shares in which each of the Directors has a Relevant Interest is set out in the table below as at 10th September 2008 (the last practical date for making changes to this Target's Statement before it went to print).

Director	Number of Shares	Share Class
Peter John Spann	1,250,000	Ordinary Shares

*Please note that the Bidder's statement of Pritchard Equity does not include an offer to purchase the ordinary shares on issue, but only the A class shares. The above is included for information purposes only.

6.3 Dealings by Directors in PF1 Shares

There have been no acquisitions or disposals of PF1 Shares by any Director in the four months ending on 10th September 2008 (the last practical date for making changes to this Target's Statement before it went to print). Any subsequent acquisitions or disposals by Directors will be announced to the NSX in accordance with legal requirements.

6.4 Interests and dealings in Pritchard Equity securities

At the date of this Target's Statement, no Director has a Relevant Interest in any securities of Pritchard Equity (or any Related Body Corporate of Pritchard Equity).

There have been no acquisitions or disposals of securities in Pritchard Equity or any Related Body Corporate of Pritchard Equity by PF1, any Associate of PF1, or any of the Directors in the four months ending on the day preceding the date of this Target's Statement,

6.5 Conditional agreements

No agreement has been made between any of the Directors and any other person in connection with or conditional upon the outcome of Pritchard Equity's Offer.

6.6 Interests in contracts with Pritchard Equity

No Director has any interest in any contract entered into by Pritchard Equity.

7. Important Information about Pritchard Equity's Offer

7.1 Consideration

The consideration offered by Pritchard Equity is 0.075 PEQ A Ordinary Shares, 0.025 PEQ B Ordinary Shares and 0.0034 PEQ Preferred Income Securities for every Property Fox A Class Share.

7.2 Offer Period

The Offer Period closes at 7.00pm (AEST) on 2 October 2008 (unless extended or withdrawn).

7.3 Extension of the Offer Period

Pritchard Equity may extend the Offer Period before the end of the Offer Period in accordance with the Corporations Act. To extend the Offer Period, Pritchard Equity must lodge a notice of variation with ASIC and give a notice to PF1 and to each PF1 Shareholder to whom an Offer was made under Pritchard Equity's Offer.

In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period:

(a) Pritchard Equity improves the consideration under its Offer; or

(b) Pritchard Equity's voting power in PF1 increases to more than 50%.

If either of these events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

7.4 Limited rights to withdraw your acceptance

You may only withdraw your acceptance of Pritchard Equity's Offer if:

(a) it is still subject to a defeating condition (this is broadly summarised in Section 7.6 of this Target's Statement); and

(b) Pritchard Equity's Offer is varied in a way that postpones, for more than one month, the time when Pritchard Equity has to meet their obligations under their Offer.

This may occur if Pritchard Equity extends the Offer Period by more than one month and Pritchard Equity's Offer is still subject to a defeating condition.

7.5 Effect of accepting Pritchard Equity's Offer

If you accept Pritchard Equity's Offer, subject to any withdrawal rights set out in Section 7.4 of this Target's Statement:

(a) you will be unable to accept any higher takeover bid that may be made by a third party or any alternative transaction that may be recommended by the Directors; and

(b) you will be unable to sell your PF1 Shares.

However, you will have no guarantee of payment until Pritchard Equity's Offer becomes or is declared unconditional.

7.6 Offer conditions

PF1 Shareholders should note that Pritchard Equity's Offer (and each contract resulting from acceptances of Pritchard Equity's Offer) is subject to certain conditions, and that Pritchard Equity's Offer will lapse unless the conditions are either satisfied or waived by Pritchard Equity. These conditions are set out in full in Section 7 of Annexure 1 of the Bidder's Statement.

Some of these conditions are broadly summarised below:

a) A 66% minimum acceptance condition;

b) No material adverse change to PF1, and in particular, no change to that results in a diminution in value of the net assets of Property Fox to less than $2,750,000;

c) No acquisitions or disposals of any assets by PF1 or any entry by PF1 into any agreement with an aggregate value in excess of $100,000;

d) No giving of a financial benefit to a related party of PF1;

e) No lending to another party other than in the ordinary course of business;

f) A condition which is triggered if the S&P / ASX 300 Index falls below 4250 at any time between the announcement date and the end of the offer period;

g) That none of the 'prescribed occurrences' listed in Section 652C of the Corporations Act occur.

7.7 Compulsory acquisition

Pritchard Equity has stated in Section 3.2 of the Bidder's Statement that if it acquires a Relevant Interest in 90% or more of PF1 Shares, then subject to satisfaction or waiver of the other conditions of Pritchard Equity's Offer, it intends to proceed with compulsory acquisition of the outstanding PF1 A Class Shares in accordance with the provisions of the Corporations Act.

The two types of compulsory acquisition permissible under Chapter 6A of the Corporations Act are discussed below.

(a) Follow-on compulsory acquisition
Under Part 6A.1 of the Corporations Act, Pritchard Equity will be able to compulsorily acquire any outstanding PF1 A Class Shares for which it has not received acceptances on the same terms as Pritchard Equity's Offer for the A Class Shares if during, or at the end of, the Offer Period, Pritchard Equity (taken together with its Associates):

- has a Relevant Interest in at least 90% (by number) of the PF1 A Class Shares; and
- has acquired at least 75% (by number) of the PF1 A Class Shares for which it has made an Offer. If these thresholds are met, Pritchard Equity will have one month from the end of the Offer Period within which to give compulsory acquisition notices to PF1 A Class Shareholders who have not accepted Pritchard Equity's Offer. The consideration payable by Pritchard Equity will be the same amount per share that is payable under Pritchard Equity's Offer.

PF1 A Class Shareholders may challenge any compulsory acquisition, but this would require the relevant PF1 A Class Shareholders to establish to the satisfaction of a court that the terms of Pritchard Equity's Offer do not represent fair value for the PF1 A Class Shares. If PF1 A Class Shares are compulsorily acquired, PF1 Shareholders are not likely to receive any consideration until at least one month after the compulsory acquisition notices are sent.

If Pritchard Equity does not become entitled to compulsorily acquire PF1 A Class Shares in accordance with the above procedures, it may nevertheless become entitled to exercise general compulsory acquisition rights under Part 6A.2 of the Corporations Act.

(b) General compulsory acquisition
Under Part 6A.2 of the Corporations Act, Pritchard Equity will also be entitled to compulsorily acquire any PF1 A Class Shares if Pritchard Equity holds full beneficial interests in at least 90% (by number) of the A Class Shares i.e. if Pritchard Equity becomes a 90% holder of PF1 A Class Shares.

If this threshold is met, Pritchard Equity will have 6 months after it becomes a 90% holder within which to give compulsory acquisition notices to PF1 A Class Shareholders. The compulsory acquisition notices sent to PF1 A Class Shareholders must be accompanied by an independent expert's report and an objection form.

The independent expert's report must set out whether the terms of the compulsory acquisition give a "fair value" for the PF1 A Class Shares and the independent expert's reasons for forming that opinion.

If PF1 A Class Shareholders with at least 10% of the PF1 A Class Shares covered by the compulsory acquisition notice object to the acquisition before the end of the objection period (which must be at least one month), Pritchard Equity may apply to the court for approval of the acquisition of the PF1 A Class Shares covered by the notice.

PF1 Shareholders should be aware that if they do not accept Pritchard Equity's Offer and their PF1 A Class Shares are compulsorily acquired, those PF1 A Class Shareholders will face a delay in receiving the consideration for their PF1 A Class Shares compared with PF1 A Class Shareholders who have accepted Pritchard Equity's Offer.

7.8 Practical issues arising from Pritchard Equity's Offer

(a) The value of Pritchard Equity's Offer is not fixed

- The market value of the Pritchard Equity Shares being offered (being the A Class, B Class and Preferred Income Securities) will change over time. The implied value of Pritchard Equity's Offer will fluctuate with movements in the market value of Pritchard Equity Shares.

Section 2 of this Target's Statement contains a table setting out the value of Pritchard Equity's Offer at different Pritchard Equity Share prices. PF1 Shareholders are urged to obtain updated quotes on the price of the different Pritchard Equity Shares being offered. Such quotes can be obtained online at www.nsxa.com.au, under the NSX codes "PEQA" for the Pritchard Equity Equity Limited A Class Shares, "PEQB" for the Pritchard Equity Equity Limited B Class Shares and "PEQPA" for the Pritchard Equity Preferred Income Securities.

- Over time, the Pritchard Equity Share price may fluctuate for a variety of reasons, including interest rate movements or other factors which impact the operating or financial performance of Pritchard Equity.

(b) Risks in relation to Pritchard Equity's Offer

- It is possible that if Pritchard Equity's Offer lapses, there may be a reduction in the market price for PF1 Shares.
- If Pritchard Equity acquires more than 66% but less than 90% of the A Class Shares of PF1, those PF1 A Class Shareholders who do not accept Pritchard Equity's Offer may become minority shareholders in PF1.

In such a situation, PF1's stock market liquidity may be reduced and Pritchard Equity would have the ability to control the composition of the PF1 Board and PF1's strategic direction.

General risk factors in relation to PF1 and its businesses are set out in Section 5.4

INDEPENDENT EXPERT'S REPORT

PROPERTY FOX No. 1 Limited

September 2008

Prepared By:

Bob Bell

Director

1. TABLE OF CONTENTS

2. GLOSSARY

TERM	DEFINITION
NOPLAT	Net operating profit (loss) after tax
NSX	National Stock Exchange of Australia
NTA	Net Tangible Asset – Valuation method
PEQA	Pritchard Equity Ordinary A Shares
PEQB	Pritchard Equity Ordinary B Shares
PF1	Property Fox No. 1 Limited (Target)
PEQ	Pritchard Equity Limited
VWAP	Volume Weighted Average price

3. ANNEXURE LISTING

Schedule 1	Curriculum Vitae of Robert Bell
Schedule 2	Documents Reviewed

4. DISCLAIMERS

1. Except where specified in the body of this report, I have not carried out any work in the nature of an audit in respect of the financial information contained in the documents referred to in this report nor attempted to independently confirm the information contained therein and accordingly express no opinion as to the truth or accuracy of it.

2. I do not accept any responsibility for any errors or omissions that may occur from reliance upon this material.

3. I reserve the right to review and amend all calculations and opinions included or referred to in this report and, if I consider it necessary, to revise my report in the light of any new information that becomes known to me after the date of this report or if additional information, as identified as required within this report or not referred to, is provided.

4. Neither Lawler Partners Pty Limited nor any of its associated entities, its officers or employees accept responsibility to any party for any loss or damage whatsoever suffered as a result of acting in accordance with any information contained in this report. No extract, copy or quote from my report shall be made available to any party without my or my company's prior written consent as to the form and context of such disclosure.

5. This report has been prepared with the assistance of my staff members all of whom were under my direction, and close supervision at the time of writing this report. The opinions expressed in this report are my own.

5. OUTLINE OF THE OFFER

6. On the 5 August 2008, Pritchard Equity Limited (PEQ) announced its intention to make a conditional off-market takeover bid for all the A Class Shares in Property Fox No. 1 Limited (PF1).

7. A bidder's statement was subsequently issued on 5 August 2008 containing an offer for the shares in Property Fox No. 1. The implied value of the offer is $0.45 per PF1 A Class Share which is claimed to represent a 25.8% premium to the VWAP of PF A Class Shares traded on the National Stock Exchange of Australia Limited (NSX) during the year ended 30 June 2008.

8. The consideration offered by PEQ comprises 1,500 PEQ A ordinary shares, 500 PEQ B Ordinary shares and 68 PEQ Preferred Income Securities per 20,000 Property Fox A Class Shares.

9. Property Fox Ordinary shares do not form part of this offer and will continue to be held on the same basis as they were prior to the offer. Property Fox Ordinary Shares will retain approximately 21.7% of the voting rights in Property Fox.

5.1. REPLACEMENT BIDDER'S STATEMENT

10. A Replacement Bidder's Statement has been issued to Class A Shareholders in PF1 on 1 September 2008.

11. The Replacement Bidder's Statement included a summary of material risks associated with the acceptance of the offer put forward by PEQ.

12. The Replacement Bidder's Statement also includes changes, additions, and removal of key information regarding the offer, ensuring that the information provided is as clear and concise as can be and ensuring consistency throughout the report.

5.2 CONDITIONS OF OFFER

13. Pritchard Equity is offering to buy all of Property Fox A Class Shares subject to a number of conditions including;

14. Minimum offer acceptance condition of 66.0%

15. No material adverse change to Property Fox and, in particular, no change that results in a diminution in value of the net assets of Property Fox to less than $2,750,000.

16. No acquisition or disposals of any assets by Property Fox or entry by Property Fox into any agreement with an aggregate value in excess of $100,000.
17. No giving of a financial benefit to a related party of Property Fox.
18. No lending to another party other than in the ordinary course of business.
19. The S&P/ASX 300 index not falling below 4,250 at any time between the announcement date and the end of the offer period.
20. None of the prescribed occurrences listed in Section 652C of the Corporations Act occurring.
21. For more information regarding the above and other conditions refer to the Replacement Bidder's Statement as issued dated 1 September 2008.

6. SCOPE OF OUR REPORT

22. The Board of Property Fox No. 1 Limited has requested that Lawler Partners prepare an Independent Expert Report stating whether in Lawler Partner's opinion, the offer is fair and reasonable and the reasons for that opinion.

23. This report has been prepared to assist the Board of PF1 in making their recommendation to the shareholders of PF1 and assist the shareholders of PF1 assess the merits of the offer.

24. The sole purpose of this report is to set out Lawler Partner's opinion as to whether the offer is fair and reasonable. This report should not be used for any other purpose.

25. The ultimate decision of Shareholders as to whether to accept the offer put forward by PEQ should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preferences, tax position and expectations as to value and future market conditions.

26. Shareholders in doubt about the offer or matters dealt with in this report should seek independent professional advice.

6.1. BASIS OF OUR ASSESSMENT

27. Our report has been prepared under Section 640 of the Corporations Act 2001 (Corporations Act) and hence in preparing our report we have given due consideration to the Regulatory Guides issued by ASIC, particularly *Regulatory Guide 111 "Content of Expert Reports".*

28. *Regulatory Guide 111* distinguishes "fair" from "reasonable" and considers:

29. An offer to be "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. A comparison must be made assuming 100% ownership of the target company

30. An offer to be "reasonable" if it is fair. An offer may also be "reasonable" if, despite not being "fair" but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

31. Our report therefore considers:

(a) the market value of 100% of the A Class shares in PF1

(b) the value of consideration offered by PEQ, having regard to:

i. The amount PF1 shareholders could realise if they sought to sell the PEQ shares issued as consideration

ii. The potential impact on the listed market price of PF1 shares if PEQ fails to acquire 100% control of PF1

(c) The extent to which (a) and (b) differ (in order to assess whether the offer is fair under ASIC *Regulatory Guide 111*)

(d) The extent to which a control premium is being paid to PF1 shareholders (measured based on the listed market price of PF1 shares prior to the announcement of the offer)

(e) The level of synergies likely to be generated by an acquirer and the extent to which a share of those synergies is being paid to PF1 shareholders

(f) The listed market price of PF1 shares:

iii. Prior to and subsequent to the announcement of the PEQ takeover offer

iv. If the takeover offer is not successful

v. If the minimum acceptance condition of more than 66% is met and PEQ fails to acquire a 100% ownership

(g) Ownership and control issues, including the extent to which PF1 shareholders will retain an indirect interest in PF1

(h) Other risks, advantages and disadvantages associated with the Offer which are relevant to PF1 shareholders.

6.2. LIMITATIONS AND RELIANCE OF INFORMATION

32. The basis of our opinion is on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods.

33. Our report is also based upon financial and other non-financial information provided by or on behalf of PF1. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Offer is fair and reasonable. However, due to inherent time restraints commonly associated with cases such as this one, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. None of the additional tasks have been undertaken.

34. We understand the accounting and other financial information provided to us has been prepared in accordance with the Australian equivalent to International Financial Reporting standards (AIFRS).

35. An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of management of the respective entities. Information of this type has also been evaluated through analysis, enquiry and review to the extent practical. However, it is understandable that such information is not always capable of being independently verified.

36. We do not guarantee any budgets, forecasts and or predictions made by management of future events, which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. It must be recognised that given the nature of this information and current market conditions, this information is beyond the control of management and actual results may vary significantly from forecasts.

37. We have assumed that any forecasts prepared by management and on which we may have considered in making our opinion have been prepared fairly and honestly, based on reasonable grounds and the information available to management at the time and within the practical constraints and limitations of such forecasts. We have assumed that management have reasonable grounds for the forecasts and the forecasts do not reflect any material bias. We have no reason to assume that these assumptions are unreasonable.

7. PROFILE – PROPERTY FOX NO.1 LIMITED

38. Property Fox Limited No.1 is a property investment company, incorporated on 26 August 2002 and admitted to the official list of NSX of Australia on 30 January 2007. Official Quotation of PF1 Securities being 5,000,000 A Class Shares commenced on 28 February 2007.

39. The principal business activity of PF1 is the acquisition, development and re-sale, either directly or indirectly via wholly owned subsidiaries, of parcels of real estate.

40. The principal activities of PF1 can be segregated into three distinct categories:

(a) Acquisition

(b) Development

(c) Re-sale

41. The above categories become important when assessing the financial performance of PF1 on a year-to-year basis, as the entity's overall financial performance for any given period is dependant on the level of income generating (re-sale) business operations undertaken in pursuit of PF1's principal activities as opposed to development and acquisition activities.

PF1 – SHARE CAPITAL

42. As at the date of this report the share capital and associated voting rights are as follows:

TABLE 1

PF1- SHARE CAPITAL AT THE DATE OF LISTING ON NSX

Class	Number	Rights attached
PF1 A	5,000,000	One Vote per share, 75% of all dividends issued, 100% of distribution in winding up
PF1 Ord	1,250,000	One Vote per share, 25% of all dividends issued, no Distribution in winding up

As at the date of this report, the issued capital of PF1 after share cancellations is as set out below:

TABLE 2

PF1 – ISSUED CAPITAL AS AT DATE OF REPORT

Issued Shares – Property Fox 1	
PF A Class Shares	5,000,000
Cancelled Shares	486,999
Total Issued Shares	4,513,001

OVERVIEW & FUTURE STRATEGY AND INTENTION

43. During the financial year ended 2007, PF1 announced that as part of its strategic planning activity, PF1 was to focus on business activity that would restore shareholder value.

44. In line with its strategic intensions and principal activity, PF1 had during the financial year ended 2007 and up to the time of writing this report undertaken the following:

(a) Appointed two (2) new board members and a new company secretary

(b) Reviewed and investigated the purchase of commercial property – to pursue opportunities of property purchases in high growth rate areas.

(c) An on market share buyback – on 30 August 2007, the board of PF1 announced an intended on market share buy back.

45. For most part of 2004 – 2008 financial years, PF1 focused its business operations on the acquisition and redevelopment of property.

46. During financial year 2007, PF1 had begun to place greater focus on the revenue generating activities of PF1 with a number of property sales, which were:

(a) Five (5) home units in Guildford, NSW

(b) Property at 26 Toorak Road Hamilton, QLD

(c) A further block of six (6) home units was sold in August 2007, at 20 Hardy Street in Fairfield, NSW.

PF1 ASSETS & LIABILITIES

47. At the time of writing this report PF1 holds the following assets;

FAIRFIELD NSW

(a) PF1 owns four (4) units at 38 Vine Street Fairfield.

i. At the time of writing this report, the units are listed for sale

ii. The current market price is estimated at $150,000-$155,000 per unit

TOOWOOMBA QLD

(b) PF1 owns a 30% share of eight (8) contiguous properties in Toowoomba Queensland, located at Healy and Ruthven Streets.

i. The properties were purchased for future redevelopment prospect.

FOX RIVERSIDE PTY LIMITED[1]

(c) PF1 owns a 2% interest in the issued capital of Fox Riverside Pty Limited and is entitled to a 5.95% of net proceeds of a Joint Venture, which it is undertaking to develop land in Brisbane suburb of Tennyson.

i. This entity owns property on the Brisbane River, which is to be sold at a public auction.

(d) A parcel of 103,499 shares in Property Fox No.2 Limited Listed on the NSX valued at $59,169[2]

(e) Significant cash holdings of $1,427,875 as at 30 June 2008

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[1] See section on Events Subsequent to Reporting Date for further information regarding a notice of appeal received by Fox Riverside Pty Limited, concerning the Council approved development project to take place.

[2] As per the financial statements of PF1 for financial year ended 2008.

7.1. FINANCIAL OVERVIEW

48. A summary of PF1's historical operating performance for the financial years ended 2003 – 2008, are set out below:

TABLE 3

PF1 - FINANCIAL PERFORMANCE

FINANCIAL YEARS 2003 - 2008

Profit and Loss Statement	2003	2004	2005	2006	2007	2008
Sales Revenue	$0	$8,384,708	$151,121	$785,078	$2,282,832	$1,200,000
Other Revenue	$61,108	$73,746	$160,969	$19,783	$6,423	$182,707
Cost of Goods Sold	$0	$7,459,267	$0	$545,043	$1,930,162	$1,170,000
Total Revenue	$61,108	$999,187	$312,090	$259,818	$359,093	$212,707
Expenses						
Operating Expense	$121,106	$291,951	$905,923	$1,131,442	$556,402	$571,265
EBIT	($59,998)	$707,236	($593,833)	($871,624)	($197,309)	($358,558)
Income Tax Expense	($98,924)	$212,172	$53,355	($22,484)	$0	$0
Net Profit after taxation	$38,926	$495,064	($647,189)	($849,139)	($197,309)	($358,558)

49. The following comments relate to the operating performance of Property Fox No.1 Limited:

(a) Despite several years of consecutive net losses, PF1 is at the time of writing this report in a financially sound and economically favourable position.

(b) The net operating losses recorded by PF1 in the past several years are in no way an indication on the ability of the board or entity. Operating losses are inherent to the nature of the principal business activity of PF1 as the outflow of resources is essential for the generation of future cash inflows.

(c) The nature of PF1's principal business activity provides for a direct correlation between business operations and financial performance and operating losses are inherent during years when the entity's business operations focus on acquisition and redevelopment of property for future revenue generating projects.

(d) This has been the case with PF1. During financial years 2005 to 2007, the business operations of PF1 centred primarily on the acquisition and redevelopment of property hence PF1 recorded net operating losses.

(e) The net losses do not reflect the true financial performance and or position of PF1.

(f) PF1 recorded a further financial loss in 2008, most of which is related to the write-down of inventory (being the property owned).

TABLE 4

PF1 - FINANCIAL POSITION

FINANCIAL YEARS 2003 - 2008

50. A summary of PF1's historical operating position for the financial years ended 2003 – 2008 are set out below:

Balance Sheet	2003	2004	2005	2006	2007	2008
Current Assets						
Cash at Bank	$4,431,783	$1,333,824	$94,716	$197,376	$1,279,887	$1,427,875
Accounts Receivable	$379,028	$172,650	$132,464	$151,113	$102,217	$51,864
Inventory		$3,873,895	$6,085,942	$4,534,105	$2,649,111	$1,293,111
Financial Assets						$283,939
Total Current Assets	$4,810,811	$5,380,369	$6,313,122	$4,882,594	$4,031,215	$3,056,789
Non- Current Assets						
Deferred Tax Assets	$98,924	$53,355	$0	$0	$0	$0
Financial Assets	$0	$0	$151,400	$353,499	$353,499	$0
	$0	$0	$0	$0	$0	$0
	$0	$0	$0	$0	$0	$0
Total Non-Current Assets	$98,924	$53,355	$151,400	$353,499	$353,499	$0
Total Assets	$4,909,735	$5,433,724	$6,464,522	$5,236,093	$4,384,714	$3,056,789
Current Liabilities						
Accounts Payable	$140,459	$530,483	$634,670	$51,738	$63,919	$38,615
Current Tax Liability		$5,143	$5,143			
Interest Bearing Liabilities			$1,762,506	$1,832,500	$1,166,250	$446,250
Total Current Liabilities	$140,459	$535,626	$2,402,319	$1,884,238	$1,230,169	$484,865
Non-Current Liabilities						
Other	0					
Total Non-Current Liabilities	$0	$0	$0	$0	$0	$0
Total Liabilities	$140,459	$535,626	$2,402,319	$1,884,238	$1,230,169	$484,865
Net Assets (Liabilities)	$4,769,276	$4,898,097	$4,062,203	$3,351,855	$3,154,545	$2,571,924
Represented by:						
Shareholders' Equity						
Share Capital & Premium	$4,730,350	$4,730,350	$4,730,350	$4,730,350	$4,730,350	$4,506,711
Retained Earnings	$38,926	$167,748	($668,147)	($1,378,495)	($1,575,805)	($1,934,787)
Total Shareholders' Equity	$4,769,276	$4,898,098	$4,062,203	$3,351,855	$3,154,545	$2,571,924

51. The following comments relate to the financial position of PF1:

(a) The financial position of PF1 has been and continues to be financially viable and economically sound.

(b) The financial position of PF1 has been consistently strong since incorporation.

(c) PF1 has a current asset base of just over $3 million.

(d) Cash at bank accounts for approximately 46% of total current assets

52. Given the current economic climate, most investors would view PF1 as a low to medium risk investment.

LIQUIDITY

53. PF1 offers a degree of security to investors given its favourable financial position and high liquidity.

54. Despite consecutive operating losses between 2005 & 2007, the financial position of PF1 has always remained at par or above industry accepted benchmark levels. This is particularly evident when examining the liquidity ratio / current ratio.

55. A summary of PF1's liquidity up to 30 June 2008, is set out below:

	2003	2004	2005	2006	2007	2008
Current Ratio	34.25:1	10.04:1	2.62:1	2.59:1	3.28:1	6.30:1

56. PF1 has consistently maintained a high level of liquidity and at the time of writing, this report, PF1 shows no signs of short-term liquidity problems, being in a position to meet its liabilities as and when they fall due.

57. PF1 has continually maintained a current ratio well above the accepted market benchmark of 2:1.

8. VALUATION

8.1. METHODOLOGY

58. ASIC *Regulatory Guide 111 "Content of Expert Reports"* outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses.

59. These include:

(a) the discounted cash flow (DCF) methodology

(b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets

(c) the amount that would be available for distribution to shareholders in an orderly realisation of assets

(d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis

(e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

60. The DCF method is the superior valuation methodology because:

(a) value is the net present value (NPV) of future cash flows (ie future year's cash flows, net of outgoings, expressed in terms of today's dollars)

(b) the DCF methodology is technically superior as it separately assesses key factors such as growth and risk rather than trying to capture them in a single factor (ie the capitalisation multiple).

61. Under the DCF methodology the value of the business is equal to the NPV of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

62. Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future "maintainable" earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.

63. Capitalisation multiples can be applied to either estimates of operating cash flow, earnings before interest, tax, depreciation and goodwill amortisation (EBITDA), earnings before interest and tax (EBIT) or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples

derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

64. An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. This approach is generally used in either of the following circumstances:

(a) where an entity or business is no longer expected to remain a going concern, eg where the owners can generate more from the orderly realisation of the assets and satisfaction of liabilities than by continuing to conduct the business as a going concern

(b) where asset values are of prime importance to an entity and are marketable in their own right, eg passive stock market or property investments (such as holding companies) where there are no material disadvantages in acquiring an interest in the entity.

65. Normally, net asset value is determined on the basis of the orderly realisation value of the net assets adjusted for the time, cost and taxation consequences of realising those assets. In the case of passive investment companies an allowance for any deferred tax liabilities should be made.

8.2. METHODOLOGY SELECTED

66. Given the nature and principal activity of PF1, I have assessed the fair market value of the PF1 based on the Net Tangible Assets (NTA) methodology.

67. Based on the information available and or generated by PF1, the importance of asset values to the entity and the fact that the assets are marketable in their own right the NTA method of valuation is the most fair and reasonable method of valuation.

8.3. VALUATION OF 100% OF PF1

METHODOLOGY

68. As set out in Section 9.2 above, we have assessed the market value of PF1 using the NTA method of valuation. This requires consideration of the following factors:

(a) The business structure and key operations of PF1

(b) The financial performance and position of PF1

(c) The determination of PF1's tangible assets and any adjustments required to account for intangible assets included in the entity's statement of position.

HISTORICAL DATA

69. We summarise below the historical results for PF1 as set out in the target's financial statement:

TABLE 5

PROFIT AND LOSS STATEMENT 2003 – 2008

Profit and Loss Statement	2003	2004	2005	2006	2007	2008
Sales Revenue	$0	$8,384,708	$151,121	$785,078	$2,282,832	$1,200,000
Credit Sales						
Less						
Cost of Goods Sold	$0	$7,459,267	$0	$545,043	$1,930,162	$1,170,000
Gross Sales Revenue	$0	$925,441	$151,121	$240,035	$352,670	$30,000
Add						
Other Revenue	$61,108	$73,746	$160,969	$19,783	$6,423	$182,707
Total Revenue	$61,108	$999,187	$312,090	$259,818	$359,093	$212,707
Expenses						
Selling and Distribution						
R&D Expenditure	$0	$0	$0	$0	$0	$0
Marketing Expenses	$0	$0	$0	$0	$0	$0
Total Selling and Distribution I	$0	$0	$0	$0	$0	$0
General and Administrative						
Management Fees	$56,540	$110,000	$110,982	$123,074	$121,310	$17,135
Directors/Secretarial	$32,800	$26,400	$27,700	$27,200	$22,275	$25,200
Share Registry/professional fe	$27,217	$95,947	$109,532	$101,412	$77,366	$139,682
Impairment of Inventory	$0	$0	$418,198	$572,065	$0	$257,000
Listing/Rates/Repairs	$0	$0	$54,212	$73,628	$55,164	$11,807
Advertising/Interest	$0	$2,035	$81,193	$166,673	$105,964	$39,989
Other	$4,549	$57,569	$104,106	$67,390	$174,323	$80,452
Total General and Administrat	$121,106	$291,951	$905,923	$1,131,442	$556,402	$571,265
Financial and Other						
Other expenses (specify)		$49,916				
Total Financial and Other Exp	$0	$49,916	$0	$0	$0	$0
Total Expenses	$121,106	$341,867	$905,923	$1,131,442	$556,402	$571,265
Net Profit (Loss)	($59,998)	$657,320	($593,833)	($871,624)	($197,309)	($358,558)
Income Tax Expense	($98,924)	$212,172	$53,355	($22,484)	$0	$0
Net Profit after taxation	$38,926	$445,148	($647,189)	($849,139)	($197,309)	($358,558)

TABLE 6

STATEMENT OF FINANCIAL POSITION 2003 – 2008

Balance Sheet	2003	2004	2005	2006	2007	2008
Current Assets						
Cash at Bank	$4,431,783	$1,333,824	$94,716	$197,376	$1,279,887	$1,427,875
Accounts Receivable	$379,028	$172,650	$132,464	$151,113	$102,217	$51,864
Inventory		$3,873,895	$6,085,942	$4,534,105	$2,649,111	$1,293,111
Financial Assets						$283,939
Total Current Assets	$4,810,811	$5,380,369	$6,313,122	$4,882,594	$4,031,215	$3,056,789
Non- Current Assets						
Deferred Tax Assets	$98,924	$53,355	$0	$0	$0	$0
Financial Assets	$0	$0	$151,400	$353,499	$353,499	$0
	$0	$0	$0	$0	$0	$0
	$0	$0	$0	$0	$0	$0
Total Non-Current Assets	$98,924	$53,355	$151,400	$353,499	$353,499	$0
Total Assets	$4,909,735	$5,433,724	$6,464,522	$5,236,093	$4,384,714	$3,056,789
Current Liabilities						
Accounts Payable	$140,459	$530,483	$634,670	$51,738	$63,919	$38,615
Current Tax Liability		$5,143	$5,143			
Interest Bearing Liabilities			$1,762,506	$1,832,500	$1,166,250	$446,250
Total Current Liabilities	$140,459	$535,626	$2,402,319	$1,884,238	$1,230,169	$484,865
Non-Current Liabilities						
Other	0					
Total Non-Current Liabilities	$0	$0	$0	$0	$0	$0
Total Liabilities	$140,459	$535,626	$2,402,319	$1,884,238	$1,230,169	$484,865
Net Assets (Liabilities)	$4,769,276	$4,898,097	$4,062,203	$3,351,855	$3,154,545	$2,571,924
Represented by:						
Shareholders' Equity						
Share Capital & Premium	$4,730,350	$4,730,350	$4,730,350	$4,730,350	$4,730,350	$4,506,711
Retained Earnings	$38,926	$167,748	($668,147)	($1,378,495)	($1,575,805)	($1,934,787)
Total Shareholders' Equity	$4,769,276	$4,898,098	$4,062,203	$3,351,855	$3,154,545	$2,571,924

70. The following should be noted regarding the above table and the financial results of PF1

FINANCIAL YEAR 2004

(a) PF1 recorded a substantial net operating profit after tax of $445,148, representing an increase of 1,043% in a twelve-month period.

(b) The net operating profit after tax was a direct result of PF1's operating activities being, focused on property re-sale.

FINANCIAL YEARS 2005 AND 2006

(a) Whilst actively in pursuit of its principal operating activities, business operations during 2005 and 2006 consisted largely of property acquisition and or redevelopment as opposed to property re-sale.

(b) PF1 recorded a net operating loss after tax for both financial years.

(c) Interest income revenue accounted for 93% of generated revenue in 2005.

(d) Revenue generated during 2005 and 2006 will begin to realise in financial year 2007.

(e) Despite operating losses in both 2005 and 2006, PF1 as a whole remained in a financially sound and economically viable position.

FINANCIAL YEAR 2007

(a) PF1 business operations consisted of acquisition and redevelopment of property and re-sale.

(b) PF1 recorded a substantially lower net operating loss after tax, in comparison to 2006.

(c) Revenue recognition requirements and Generally Accepted Accounting Principles, (GAAP) have meant that the financial records of PF1 did not capture all revenue generated by year-end. With a portion of the revenue set to be recognised during financial year 2008 and beyond,

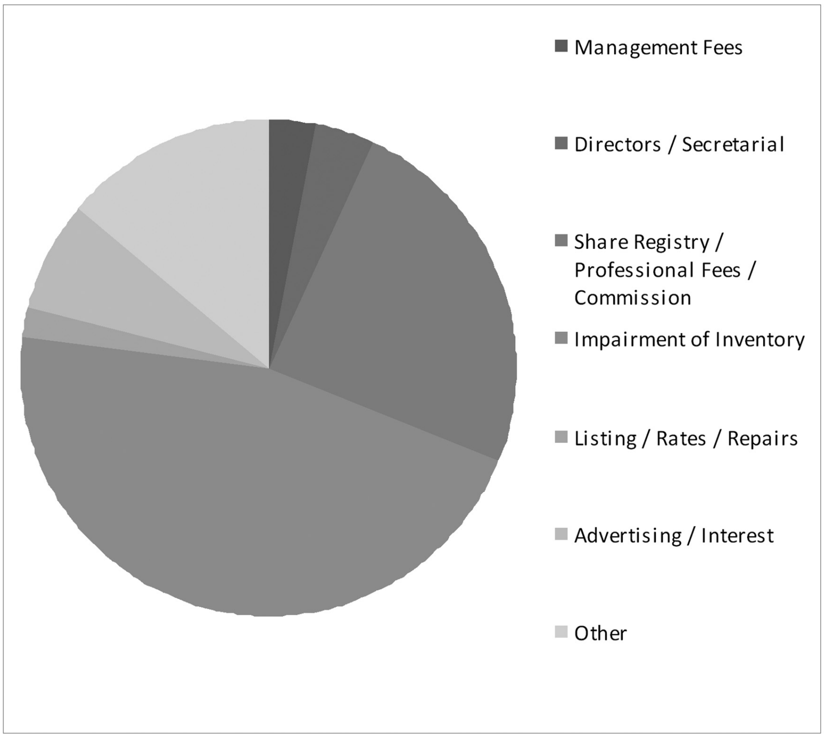
FINANCIAL YEAR 2008

(a) Management and the board continue to work towards meeting the strategic plan of the entity.

(b) PF1 recorded no cash loss, with 46% of expenses related to impairment of inventory (being property owned by PF1).

DIAGRAM 1

PF1 – ALLOCATION OF EXPENSES (FINANCIAL YEAR 2008)



FUTURE BUSINESS DIRECTION

(c) In the 2007 annual report, the board and management announced a strategic plan whereby business operations would work towards increasing shareholder value.

(d) Management of PF1 have embraced and are working towards meeting the objectives of PF1's future business direction. The following activities have been undertaken,

i. The recent share buy-back scheme launched

ii. The appointment of new board members

iii. The intention of purchasing commercial property in high growth areas

(e) Overall PF1's financial position remains financially viable and economically sound.

(f) Given the operating losses incurred and in the interest of shareholders, Director's are considering several alternate strategies, one of which is the possibility of winding up the entity. At the time of writing this report there has been no decision made as to the future of PF1 as a going concern.

71. In assessing the value of PF1's business we have had regard to,

(a) The historical financial performance of PF1 and management's resolve to work towards and achieve set financial goals

(b) Managements ability to recognise key strategic issues and managements ability to change and or adapt to new procedures and overall internal business operations to assist in meeting financial targets and provide value added to the shareholders

(c) The profitability of PF1 between financial years 2003 – 2008

(d) The structure and operations of the entity and its overall performance within the industry

(e) Operating results inherent to the business operations of PF1

VALUATION

8.4. METHODOLOGY SELECTED

72. The method used to assess the fair market value of PF1 is that of the Net Tangible Asset method (NTA).

73. This method has been selected based on the following:

(a) The nature and principal activity of PF1

(b) The lack of an established cash flow and earnings history

(c) The importance of asset values to the entity and the fact that the assets are marketable in their own right.

74. A summary of the Share Capital at the time of writing this report are detailed in the table below.

TABLE 7
SHARE CAPITAL PF1

Issued Shares – Property Fox 1	
PF A Class Shares	5,000,000
PF1 Ordinary Shares	1,250,000

75. In order to provide a fair and reasonable valuation it is important to consider the share issue structure and the number / value of shares issued on the market.

76. PF1 has a share capital of PF1 A Class Shares of 5,000,000 shares.

77. For the financial year ended 30 June 2008, PF1 cancelled 486,999 shares, leaving the total number of issued A Class shares at 4,513,001 as per table below:

TABLE 8

ISSUED SHARES PF1

Issued Shares – Property Fox 1	
PF A Class Shares	5,000,000
Cancelled Shares	486,999
Total Issued Shares	4,513,001

78. In valuing the net tangible assets of PF1, the following applies:

PROPERTY FOX ORDINARY SHARES (PF1 ORDINARY SHARES)

(a) There are 1,250,000 PF1 Ordinary Shares.

(b) PF1 Ordinary Shares are not part of the takeover offer made by PEQ.

(c) PF1 Ordinary Shares are not listed on the NSX.

(d) PF1 Ordinary Shares collectively receive 25% of all dividends declared by PF1 and have the right to vote at all meetings of members of PF1, with each PF1 Ordinary Share being entitled to one (1) vote.

PROPERTY FOX A CLASS SHARES

(e) PF1 A Class Shares are the subject of the takeover offer.

(f) PF1 A Class Shares collectively receive 75% of all dividends declared by PF1.

(g) PF1 A Class Shares collectively receive 100% of any share capital repaid on winding up.

(h) Have the right to vote at all meetings of members of PF1, with each PF1 Ordinary Share being entitled to one (1) vote

(i) For the financial year ended 30 June 2008 a total of 486,999 PF1 A Class Shares were cancelled with the NSX.

NTA VALUATION

79. As at the date of writing this report, the Net Tangible Asset valuation (NTA) on a capital distribution basis of PF1 A Class shares is calculated to be $0.57 per share.

TABLE 9

PF1 NTA VALUE

Balance Sheet	2003	2004	2005	2006	2007	2008
Current Assets						
Cash at Bank	$4,431,783	$1,333,824	$94,716	$197,376	$1,279,887	$1,427,875
Accounts Receivable	$379,028	$172,650	$132,464	$151,113	$102,217	$51,864
Inventory		$3,873,895	$6,085,942	$4,534,105	$2,649,111	$1,293,111
Financial Assets						$283,939
Total Current Assets	$4,810,811	$5,380,369	$6,313,122	$4,882,594	$4,031,215	$3,056,789
Non- Current Assets						
Deferred Tax Assets	$98,924	$53,355	$0	$0	$0	$0
Financial Assets	$0	$0	$151,400	$353,499	$353,499	$0
Total Non-Current Assets	$98,924	$53,355	$151,400	$353,499	$353,499	$0
Total Assets	$4,909,735	$5,433,724	$6,464,522	$5,236,093	$4,384,714	$3,056,789
Current Liabilities						
Accounts Payable	$140,459	$530,483	$634,670	$51,738	$63,919	$38,615
Current Tax Liability		$5,143	$5,143			$0
Interest Bearing Liabilities			$1,762,506	$1,832,500	$1,166,250	$446,250
Total Current Liabilities	$140,459	$535,626	$2,402,319	$1,884,238	$1,230,169	$484,865
Total Liabilities	$140,459	$535,626	$2,402,319	$1,884,238	$1,230,169	$484,865
Net Assets	**$4,769,276**	**$4,898,098**	**$4,062,203**	**$3,351,855**	**$3,154,545**	**$2,571,924**
Shares held	**5,000,000**	**5,000,000**	**5,000,000**	**5,000,000**	**5,000,000**	**4,513,001**
	0.95	**0.98**	**0.81**	**0.67**	**0.63**	**0.57**

COMPARISON WITH RECENT MARKET PRICES

(j) Our valuation represents a premium of approximately 28% above the VWAP of PF1 shares

(k) Further, we note that PF1 shares have traded (during buy back transactions) at prices close to our valuation, having traded at prices from $0.50 to $0.56 per share, as per table below:

TABLE 10

VWAP – PF1 SHARES

Date	Price	Volume	Value
29/04/2008	0.42	20000	8,400
21/04/2008	0.42	10000	4,200
5/03/2008	0.42	40000	16,800
21/02/2008	0.4	238000	95,200
20/02/2008	0.4	238000	95,200
30/01/2008	0.35	20000	7,000
30/01/2008	0.35	20000	7,000
18/12/2007	0.5	2000	1,000
14/12/2007	0.5	18000	9,000
4/12/2007	0.56	19000	10,640
3/12/2007	0.56	20000	11,200
3/12/2007	0.56	20000	11,200
3/12/2007	0.56	59999	33,599
30/11/2007	0.56	10000	5,600
30/11/2007	0.56	10000	5,600
22/11/2007	0.56	15000	8,400
9/11/2007	0.35	10000	3,500
17/10/2007	0.56	5000	2,800
25/09/2007	0.35	1000	350
25/09/2007	0.37	19000	7,030
25/09/2007	0.35	2000	700
24/09/2007	0.36	18000	6,480
19/09/2007	0.35	20000	7,000
19/09/2007	0.35	60000	21,000
19/09/2007	0.35	40000	14,000
19/09/2007	0.34	20000	6,800
18/09/2007	0.35	20000	7,000
17/09/2007	0.35	20000	7,000
17/09/2007	0.35	80000	28,000
4/09/2007	0.385	30000	11,550
21/08/2007	0.395	20000	7,900
20/08/2007	0.395	20000	7,900
Average	**0.4260**		

8.5. VALUATION OF CONSIDERATION OFFERED

THE OFFER

80. As set out in Section 6, PF1 shareholders who accept the Offer in its current form will receive 0.075 PEQ A Ordinary Shares, 0.025 PEQ B Ordinary Shares and 0.0034 PEQ Preferred Income Securities.

METHODOLOGY

81. Under ASIC *Regulatory Guide 111 "Content of Expert's Reports"* an offer is fair if the value of the offer consideration is equal to or greater than the value of the target company's shares on a 100% controlling interest basis.

82. As PEQ's Offer is a scrip for scrip transfer of shares it is necessary to determine the likely market value of PEQ's shares assuming the Offer is successful.

83. In our opinion, the value of the Offer consideration should be equal to the amount that PF1 shareholders could reasonably be expected to realise if they accepted the Offer and sold the PEQ shares received as consideration either immediately or in the short-term. This is because a decision to hold PEQ shares beyond the short-term is a separate investment decision which should be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. It is also not possible to accurately predict future share price movements.

84. In order to assess the likely market price of PEQ shares if the Offer is successful we have had regard to:

(a) the market price of PEQ shares both prior to and after the announcement of the Offer

(b) the level of on-market trading in PEQ shares

(c) the net tangible asset (NTA) backing of PEQ shares prior to the announcement of the Offer, and the extent to which PEQ and other investment companies trade at a discount to their reported NTA

(d) the size and nature of PEQ's existing investment portfolio and the extent to which this will change if the Offer is successful

(e) the number of shares to be issued by PEQ under the Offer compared to the existing number of PEQ shares on issue

   (i) the likely level of on-market trading in PEQ's shares subsequent to completion of the Offer (assuming it is successful), having regard to factors including:

   (ii) any potential oversupply of PEQ shares from those PF1 shareholders not wishing to retain the PEQ shares received as consideration

   (iii) the dilution effect implicit in any control premium being paid by PEQ

   (iv) the potential increase in liquidity in PEQ shares arising from the effective transfer of the PF1 shareholder base pursuant to the Offer

(f) The likely market price of PEQ shares if PEQ achieves acceptances for at least 66% of PF1 shares, but does not acquire 100% of PF1. In such circumstances we note that:

   (i) PEQ will not have full control of PF1 and will need to consider the interests of minority shareholders

   (ii) whilst PEQ will control PF1's future dividend policy it will not have access to 100% of PF1's cash flow

(g) General stock market conditions and other factors.

RECENT PEQ SHARE PRICES

85. We set out below the recent PEQ share prices, prior to and after the announcement of the Offer on 5 August 2008:

TABLE 11

PEQ SHARE PRICE

Date	Price	Volume	Value	Buyer	Seller	TradingCo	IssueDesc
August-2008	1.10	-	-	-	-	-	-
July-2008	1.10	-	-	-	-	-	-
June-2008	1.10	-	-	-	-	-	-
May-2008	1.10	-	-	-	-	-	-
April-2008	1.10	-	-	-	-	-	-
March-2008	1.10	-	-	-	-	-	-
February-2008	1.10	-	-	-	-	-	-
January-2008	1.10	-	-	-	-	-	-
December-2007	1.10	-	-	-	-	-	-
November-2007	1.10	-	-	-	-	-	-
October-2007	1.10	-	-	-	-	-	-
September-2007	1.10	-	-	-	-	-	-
August-2007	1.10	-	-	-	-	-	-
July-2007	1.10	-	-	-	-	-	-
June-2007	1.10	-	-	-	-	-	-
May-2007	1.10	-	-	-	-	-	-
April-2007	1.00	-	-9.09%	1.10	1.10	1.00	1,000
March-2007	1.00	-	-	-	-	-	-
February-2007	1.00	-	-	-	-	-	-
January-2007	0.85	-	-15.00%	1.00	1.00	0.85	16,250
December-2006	0.85	-	-	-	-	-	-
November-2006	0.85	-	-	-	-	-	-
October-2006	0.85	-	-	-	-	-	-
September-2006	0.85	-	-	-	-	-	-
August-2006	0.85	-	-	-	-	-	-
July-2006	0.85	-	-	-	-	-	-
June-2006	0.85	-	-	-	-	-	-
May-2006	0.85	-57.50%	-	0.85	1.00	0.85	8,750
April-2006	2.00	-	-	-	-	-	

86. There has been little if any trade of the PEQ shares offered for consideration.

    (a) PEQA and PEQB shares have not traded since 24 April 2007.

    (b) PEQ Preferred Income Securities have never traded

87. PEQ share price has remained stagnate at $1.10 per share given the lack of trade.

88. Given this, it is difficult to determine the price at which any of the PEQ shares would trade. It is also therefore, difficult to determine a fair value for PEQ shares.

NET TANGIBLE ASSET BACKING

89. As at the date of PEQ's Bidder's Statement, PEQ's assets included:

    (a) A substantial investment portfolio in entities associated with PEQ either directly or indirectly

    (b) Net cash of approximately $119,284

    (c) Investment portfolio

90. PEQ currently holds little material investments other than cash.

91. Given the make up of its portfolio, the entity and its investments are highly illiquid and future earnings and investment values can be materially affected by economic factors.

92. The NTA backing for all PEQ shares and PEQ Preferred Income Securities (based on 1,453,447 issued shares) as at December 2007 is as per table below, post deferred tax adjustment.

TABLE 12

PEQ – NTA BACKING PER SHARE

Net Tangible Asset Backing Per Share	
	$
As at 30 June 2007*	1.41
As at 31 December 2007**	1.52

* Based on PEQ's financial statements for the year ended 2007
** Based on PEQ's unaudited financial statements as at 31 December 2007

93. It is important to note that whilst the VWAP of PEQ is high, the number of shares currently on issue affects the overall NTA. Consideration should be given to this as should the offer made by PEQ be successful the number of shares on issue will increase as PEQ currently do not hold enough shares for the consideration offered (refer to Section 4.4 *Effect on Capital Structure*, of the Bidder's Statement).

94. Should the issued capital be higher the NTA (all other factors remaining constant) in the case of PEQ would drop.

95. The increase in the net tangible asset backing between June 2007 and December 2007 is due to a decrease in interest bearing liabilities and a partial increase in financial assets, as per the accounts of PEQ.

96. Below is a calculation of the NTA backing per share once the increased number of PEQ Securities is accounted for.

TABLE 14

PEQ REVISED NTA

Net Tangible Asset Backing Per Share		
		$
As at 30 June 2007*	$	1.07
As at 31 December 2007**	$	1.15

* Based on PEQ's financial statements for the year ended 2007
** Based on PEQ's unaudited financial statements as at 31 December 2007

LIKELY MARKET PRICE OF PEQ SHARES IF THE OFFER IS SUCCESSFUL

97. It is noted that PEQ is a relatively illiquid stock it is also noted that there are a number of issues in the nature of PEQ's business operations and portfolio that render the calculation of an approximate market price of PEQ shares difficult and at best very subjective:

    i. PEQ's portfolio is somewhat less diversified than that of PF1, in addition to this, the portfolio consists of listed entities of which market prices fluctuate.

    ii. Further, the overall value of PEQ's portfolio and future earnings of PEQ's investments are subject to fluctuations due to changes in general economic conditions.

98. Accordingly, in considering the likely market price of PEQ shares assuming the Offer is successful, we had regard to the NTA backing per share of PEQ.

99. As noted previously the lack of active market for PEQ shares has kept the share price at $1.10 for a continuous period (falling from $2.00 at the time of the Initial Public Offering).

100. In our opinion, it is likely that the PEQ share price will likely continue at the $1.10 rate per share until such time that there is an active market for PEQ shares, at the time of writing this report there is little to no information to justify any increase or decrease in the share price.

8.6. Evaluation of Offer

101. Lawler Partners has concluded that the offer is neither fair nor reasonable.

102. We summarise below the reason for this opinion.

103. Pursuant to ASIC *Regulatory Guide 111* an offer is *"fair"* if:

"The value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer."

104. Lawler Partners has valued 100% of the shares in PF1 on a controlling interest basis at $0.55.

105. In comparison, if PF1 shareholders accept the offer by PEQ in its current form and all conditions are satisfied then PF1 shareholders will receive consideration based on a per share value of 35.76 cents.

106. As our assessed value of the consideration offered by PEQ is significantly less than our assessed value for 100% of the shares in PF1, in our opinion, the offer is not fair when assessed based on guidelines set out in *Regulatory Guide 111*.

107. Pursuant to *Regulatory Guide 111*, an offer may be reasonable if, despite not being fair but after considering other significant factors, shareholders should accept the offer in the absence of a higher bid before the close of the offer.

108. In assessing whether the PEQ Offer is reasonable Lawler Partners has also considered:

(d) The extent to which a control premium is being paid to PF1 shareholders (measured based on the listed market price of PF1 shares prior to the announcement of the Offer)

(e) The likelihood that an alternate offer will emerge

(f) The listed market price of PF1 shares:

iii. Prior to and subsequent to the announcement

iv. If the takeover is not successful

v. If the minimum acceptance condition of more than 66% is met and PEQ fails to acquire 100% control.

(g) Ownership and control issues, including rights of share classes under the new offer

(h) Other risks, advantages and disadvantages associated with the Offer which are relevant to PF1 shareholders.

109. These issues are discussed in detail below:

Extent to which a control premium is paid

110. Empirical evidence indicates that the average premium paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid.

(a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder

(b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds

(c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company

(d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

111. We have calculated that the premium implied by PEQ by reference to the market prices of PF1, whilst the methodology of the calculation is correct the actual application of the

methodology is questionable, as PEQ has chosen not to include all trade transactions, excluding from its calculation all transactions relating to the buy back procedure.

112. As shown below if the VWAP of PF1 as per our calculations is utilised the premium offered by PEQ decreases by 9.22%.

Share Class	Share Price	Number of Shares	Value	PF1 @ 0.36	PF1 @ 0.41
PEQA	1.10	1,500	1,650.00		
PEQB	1.10	500	550.00		
PEQPF	100.00	68	6,800.00		
Implied Value			9,000.00	7,152	8240
				25.84%	9.22%

113. Consequently, in our opinion, the Offer does not provide PF1 shareholders with a sufficient premium for control.

Recent Share Prices Subsequent to PEQ Offer

114. Subsequent to the announcement, trading prices of PF1 shares are significantly below our NTA Value, suggesting that at the date of writing this report, the market consensus is that the takeover is unlikely to succeed.

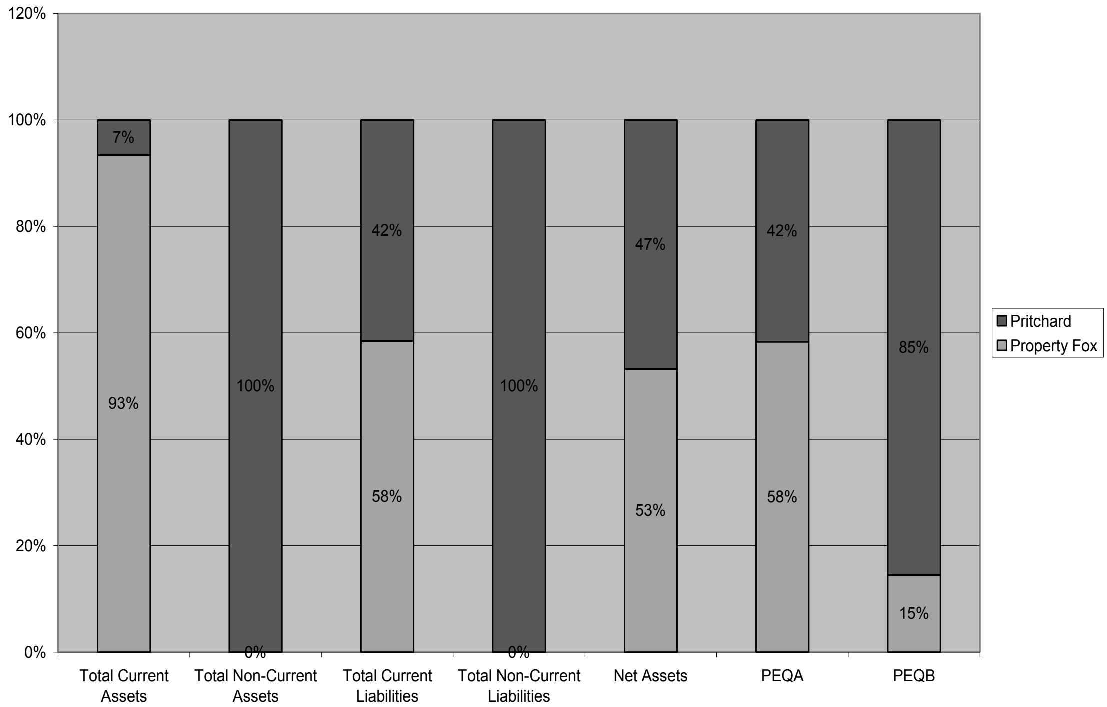
Comparative Position

115. If the Offer is successful and PEQ acquires a 100% interest in PF1 shareholders will receive consideration as per section 6 above.

116. Effectively PF1 shareholders:

(i) Have exchanged approximately 85% of current direct interest in PF1 for an indirect interest held through PEQ.

117. The effective financial position of PEQ if the Offer is successful is as per table below:



PF1 Winding Up v PEQ Winding Up

118. The following considers the position of shareholders should, at the time of writing this report:

(a) PF1 be wound up

(b) The Offer be accepted and subsequent winding up of the merged entity

PF1 - Winding Up			
	No Shares Held	$/share	
PF1	20000	0.52	**10,308.41**

PEQ - Winding Up			
PEQPA	68	100	6,800.00
PEQA	1500	1.54	2,310.00
PEQB	500	1.54	770.00
Total PEQ			**9,880.00**
Shortfall			**428.41**

Likelihood of an Alternate Offer

119. We have been advised by the Directors of PF1 that no alternative offers have been received subsequent to the Pritchard Equity announcement of its intentions to make an offer on 5 August 2008.

Likely Price of PF1 if the Offer Lapses

120. In our opinion, if the Offer lapses and there are no higher offers or alternate proposals, it is likely that the PF1 shares (at least in the short term) will trade at a discount to our NTA calculation.

Conclusion

121. Based upon the above we have concluded that the offer is neither fair nor reasonable.

9. SCHEDULE 1 – CURRICULUM VITAE OF ROBERT BELL

Bob leads the firm's Sydney Business Services team with over 25 years experience in the accounting profession. He was also a Partner at Vouris & Bell Chartered Accountants and for the past 9 years acted for a diverse range of businesses and professionals prior to the merger with Lawler Partners in 2006.

Bob has experience working with private and public sector clients from a wide range of industries encompassing accounting, audit, taxation and related matters. He also provides input to his clients' business decision making on issues relating to financing, cash flow, profit reporting and cost containment.

Bob also has expertise in Forensic Accounting Services where he has experience in the following areas:

- Preparation of valuations of companies and businesses for the purposes of purchase and sale; disputes; and family law matters. Audit and Due Diligence reports in regard to many and varied businesses.
- Preparation of reports covering economic loss relating to personal injury, business interruption, commercial disputes, etc.
- Acting as an Expert Witness in various Courts and matters.

BOB'S PROFESSIONAL QUALIFICATIONS INCLUDE:

- Bachelor of Business
- Fellow of the Institute of Chartered Accountants in Australia
- Registered Auditor
- Registered Tax Agent

10. SCHEDULE 2 – DOCUMENTS REVIEWED

Doc No.	Document
PF-001	Half Yearly Preliminary Final Report
PF-002	Half Yearly Preliminary Final Report
PF-003	Half Yearly Preliminary Final Report
PF-004	Half Yearly Preliminary Final Report
PF-005	Supplementary Prospectus
PF-006	Share Information
PF-007	Annual report Half Year
PF-008	Annual Report
PF-009	Annual Report
PF-010	Financial State and Review report for period ended 31 Dec 2007
PF-011	Annual Report
PF-012	Financial State and Review report for period ended 31 Dec 2006
PF-013	Annual report
PF-014	Bidders Statement
PF-015	Annual report
PF-016	Annual Report 2007
PF-017	Form 484 - Change to Company Details
PF-018	Supplementary Bidder's Statement
PF-019	Form 604
PF-020	Replacement Bidder's Statement
PF-021	PF1 Annual Report 2008

9. Your Choices

You have three choices as a PF1 Shareholder in responding to Pritchard Equity's Offer,

Your Directors unanimously recommend that you **REJECT** Pritchard Equity's Offer. To **REJECT** Pritchard Equity's Offer, simply ignore all documents sent to you by Pritchard Equity.

9.1 REJECT Pritchard Equity's Offer

To **REJECT** Pritchard Equity's Offer, simply ignore any documents sent to you by Pritchard Equity. You should be aware that:

- If you choose not to accept Pritchard Equity's Offer and Pritchard Equity acquires at least 90% of PF1 A Class Shares, Pritchard Equity may become entitled to compulsorily acquire the balance of the PF1 A Class Shares, and it has said that it intends to exercise those rights (see Section 7.7 of this Target's Statement for further details);
- If you choose not to accept Pritchard Equity's Offer and Pritchard Equity acquires more than 66% but less than 90% of PF1 A Class Shares, you will be exposed to the risks associated with being a minority shareholder in PFl (see Section 7.8 of this Target's Statement for further details);
- As a holder of PF1 A Class Shares you will continue to be subject to the risks set out in Section 5.4 of this Target's Statement.

9.2 Sell your PF1 A Class Shares on market

During the Offer Period, you may sell your PF1 A Class Shares on market through the NSX, provided you have not already accepted Pritchard Equity's Offer for those PF1 A Class Shares.

If you sell your PF1 A Class Shares on market, you will receive cash for the sale of your PF1 A Class Shares. If you sell your PF1 A Class Shares on market, you:

- Will lose the ability to accept Pritchard Equity's Offer and receive the offer consideration (and any possible increase in the offer consideration) in relation to those PF1 A Class Shares;
- Will lose the ability to accept any higher offer for PF1 A Class Shares that may or may not eventuate from a third party;
- May incur a tax liability as a result of the sale; and
- May incur a brokerage charge.

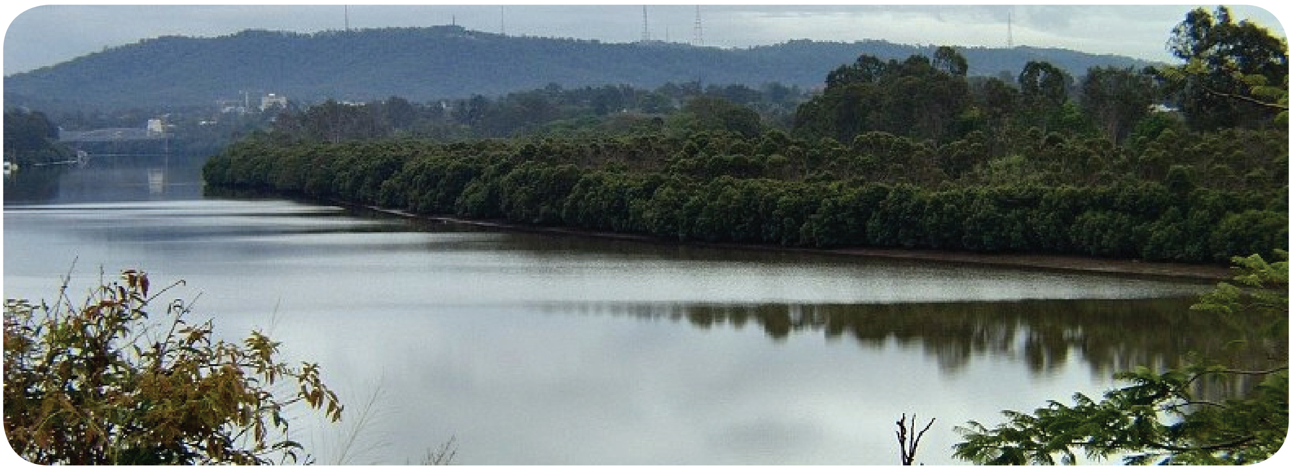
9.3 Accept Pritchard Equity's Offer

Pritchard Equity has stated that its Offer remains open until 7.00pm (AEST) on the closing date for Pritchard Equity's Offer, which is 2nd October 2008 (unless Pritchard Equity's Offer is extended or withdrawn).

It is possible that Pritchard Equity will choose to extend the Offer Period in accordance with the Corporations Act (see Section 7.3 of this Target's Statement). Details of the consideration that you will receive if you accept Pritchard Equity's Offer is set out in the Bidder's Statement.

Subject to the withdrawal rights referred to in Section 7.4, if you accept Pritchard Equity's Offer you:

- Will become a holder of Pritchard Equity A Shares, Pritchard Equity B Shares and Pritchard Equity Preferred Income Securities (if Pritchard Equity's Offer becomes unconditional) in which case your investment will be subject to the risks associated with holding Pritchard Equity's Shares (as set out in Section 5 of the Bidder's Statement), in addition to the risks associated with being a holder of PF1 A Class Shares as set out in Section 5.4 of this Target's Statement (as Pritchard Equity will become the holder of your PF1 A Class Shares);
- May incur a tax liability as a result of your acceptance;
- Will be unable to accept any higher offer or your PF1 A Class Shares that may eventuate from a third party; and
- Will be unable to sell your PF1 A Class Shares.



Above: Land at 27 King Arthur Terrace, Tennyson, Brisbane, QLD, Owned by Property Fox No. 1 Limited in joint venture

10. Additional Information

10.1 Issued securities

The total number of PF1 A Class Shares as at the date of this Target's Statement is 4,513,001. The total number of PF1 ordinary shares as at the date of this Target's Statement is 1,250,000. There are currently no options or other securities convertible into PF1 A Class or Ordinary Shares.

Pritchard Equity is not making an offer to acquire the Ordinary Shares and is only making an offer to acquire the A Class Shares. The Ordinary Shares are not listed on NSX.

PF1 A Class Shares collectively receive 75% of all dividends declared by PF1 and collectively have the right to receive 100% of all share capital repaid on a winding up, and have the right to vote at all meetings of members of PF1 with each PF1 A Class Share entitled to 1 vote.

PF1 ordinary shares collectively receive 25% of all dividends declared by PF1 and have the right to vote at all meetings of PF1, with each Ordinary Share being entitled to 1 vote.

10.2 Changes in PF1's financial position

Apart from the matters disclosed elsewhere in this Target's Statement, so far as is known to the Directors, there have been no material changes to PF1's financial position since the date of the last balance sheet published by PF1 (being the balance sheet as at 30th June 2008), which have not been announced to the NSX.

10.3 Taxation considerations

Section 6 of the Bidder's Statement provides a broad outline of the Australian taxation consequences for PF1 A Class Shareholders who accept Pritchard Equity's Offer. The tax implications for each PF1 A Class Shareholder may vary depending on their particular circumstances, It is recommended that each PF1 A Class Shareholder seek their own professional advice regarding the taxation implications associated with Pritchard Equity's Offer.

10.4 Material Litigation

PF1 is not aware of any current or proposed litigation or dispute that is material in the context of PF1 taken as a whole.

10.5 No other material information

There is no information that is known to any of the Directors that holders of PF1 Shares and their professional advisers would reasonably require to make an informed assessment whether or not to accept Pritchard Equity's Offer and reasonably expect to find in this Target's Statement other than:

(a) the information set out in the Bidder's Statement;

(b) the information set out in this Target's Statement; and

(c) information that has previously been disclosed to the holders of PF1 Shares or disclosed to NSX or ASIC under the regular reporting and disclosure obligations to which PF1 is subject as a disclosing entity for Corporations Act purposes.

However, the Directors do not take any responsibility for the content of the Bidder's Statement and are not to be taken to be endorsing, in any way, any or all of the statements contained in it.

10.6 Consents

Each of the persons listed below has given and has not, before the lodgment of this Target's Statement with ASIC, withdrawn their consent to the inclusion of the following information in this

Target's Statement in the form and context in which it is included and to all references in this Target's Statement to that information in the form and context in which they appear:

(i) each Director — to being named as a Director and to the inclusion of statements made by him or her;

(ii) Whittens Lawyers and Consultants — to being named as legal adviser to PF1;

(iii) Lawler Partners Pty Ltd- to being named as Independent Expert.

Disclaimer regarding statements made and responsibility

Each person named in the paragraph above as having given its consent to the inclusion of a statement or to being named in this Target's Statement:

(i) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement with the consent of that person; and

(ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

10.7 Publicly available information

As permitted by ASIC Class Order 01/1543, this Target's Statement may contain statements which are made, or based on statements made, in documents lodged with ASIC or NSX in compliance with the NSX Listing Rules.

Pursuant to Class Order 01/1543, the consent of such persons to whom such statements are attributed is not required for the inclusion of those statements in this Target's Statement. Any PF1 Shareholder who would like to receive a copy of those documents may obtain a copy free of charge during the Offer Period by calling the PF1 Shareholder Information Line on 07 3031 9950

Copies of all announcements by PF1 may also be obtained from the NSX website at www.nsxa.com.au

10.8 Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by the Directors on 15th September 2008. Signed for and on behalf of PF1 by Peter John Spann, a Director of PF1 who is authorised to sign pursuant to the resolution referred to above.

Peter Spann

Chairman

11. Glossary

11.1 Definitions

In this Target's Statement the following words have these meanings unless the contrary intention appears or the context otherwise requires:

Acceptance Form means the acceptance form which accompanies the Bidder's Statement.

AEST means Australian Eastern Standard Time.

Announcement Date means 5 August 2008, the date upon which the Bid was announced

ASIC means Australian Securities and Investments Commission.

Associates has the meaning given to it in the Corporations Act.

Bidder's Statement means the bidder's statement dated 1st September 2008 in respect of the Offer given by Pritchard Equity Limited under Part 6.5 of Chapter 6 of the Corporations Act.

Cameron means Camerons Stockbrokers Limited

CGT means Capital Gains Tax.

CHESS means Clearing House Electronic Subregister System established and operated by ASX Settlement and Transfer Corporation Pty Limited for the clearing, settlement, transfer and registration of approved securities.

CHESS Holding means a holding of Property Fox A Class Shares on the CHESS subregister of PF1.

Company means Property Fox No. 1 Limited (ACN 101 816 353).

Controlling Participant means the Participant who is designated as the controlling participant in a CHESS Holding in accordance with the ASTC Settlement Rules.

Consideration means 0.075 PEQ A Ordinary Shares, 0.025 PEQ B Ordinary Shares and 0.0034 PEQ Preferred Income Securities per 1 Property Fox A Class Share, as varied in accordance with the Corporations Act.

Corporations Act means Corporations Act 2001 (Cth).

FFP mean Freeman Fox Property Pty Ltd

Foreign Law means a law of a jurisdiction other than an Australian jurisdiction.

GST means Goods and Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999.

HIN means holder identification number.

Issuer Sponsored Holding means a holding of Property Fox A Class Shares on Property Fox's issuer sponsored subregister.

Management Agreement means the management agreement between PF1and Fox Portfolio Pty Ltd.

Merged Entity means Pritchard Equity Equity and its subsidiaries following the acquisition by Pritchard Equity Equity of all, or at least 66%, of the Property Fox A Class Shares.

NSX means National Stock Exchange of Australia Limited or the financial market which it operates.

NSX Listing Rules or Listing Rules means the official listing rules of NSX.

NTA means net tangible assets.

Offer means the offer by Prichard Equity to acquire Property Fox A Class Shares on the Offer Terms.

Offer Period means the period commencing 1st day of September 2008 and ending on 2nd Day of October 2008 unless extended or withdrawn in accordance with the Corporations Act.

Offer Terms means the formal terms and conditions of the Offer set out in Annexure 1 to the Bidder's Statement.

Participant has the meaning given to it in the ASTC Settlement Rules.

PEQ A Ordinary Shares means A ordinary shares in the capital of Pritchard Equity.

PEQ B Ordinary Shares means B ordinary shares in the capital of Pritchard Equity.

PEQ Preferred Income Securities means preferred income equity securities in the capital of Pritchard Equity.

Pritchard Equity means Pritchard Equity Limited(ACN 100 517 404).

Pritchard Equity Board means the board of directors of Pritchard Equity.

PF1 means Property Fox No. 1 Limited (ACN 101 816 353).

Property Fox Board means the board of directors of Property Fox.

Property Fox A Class Share means a fully paid Class A share in the capital of Property Fox.

Property Fox Group means Property Fox and its subsidiaries.

Property Fox A Class Shareholder means a holder of Property Fox A Class Shares.

Property Fox Ordinary Share means a fully paid ordinary share in the capital of Property Fox.

Register Date means the 5th August 2008.

Rights means all accretions and rights attaching to or arising from Property Fox A Class Shares after the Announcement Date (including, without limitation, all rights to receive dividends and to receive or subscribe for shares, stock units, notes or options and all other distributions or entitlements declared, paid or issued by Property Fox).

SRN means security holder reference number.

Target's Statement means this document.

11.2 Interpretation

Unless the context otherwise requires:

- headings used in this Target's Statement are inserted for convenience and do not affect the interpretation of this Target's Statement;
- words or phrases defined in the Corporations Act have the same meaning in this Target's Statement;
- a reference to a section is a reference to a section of this Target's Statement;
- a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- the singular includes the plural and vice versa;
- the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any government agency; and
- Australian dollars, dollars, or $ is a reference to the lawful currency of Australia.

Property Fox No. 1 Limited®

ACN 101 816 353

www.propertyfoxno1.com.au