

8<sup>th</sup> October 2008

Dear Fellow Shareholders,

**Re: Directors confirm REJECT recommendation on basis of New Expert's Report**

Shortly you will receive, (or already have received), in the mail a new Target's Statement dated 2<sup>nd</sup> October 2008.

The Director's of Property Fox No.1 remain unanimous in their recommendation to **REJECT** the offer by Pritchard Equity (to REJECT the offer simply do nothing) for many reasons including...

1. An Independent Expert has determined the bid is **not fair and not reasonable**;
2. **No cash** is offered;
3. You would only receive shares in a **highly illiquid company** – the price in the bid is based on just one trade of only 1,000 shares that took place on 27 April 2007 – over 16 months ago;
4. If you tried to sell your shares in Pritchard Equity it is **doubtful** the price quoted could be achieved;
5. 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 and it would do so **immediately** upon acceptance of the plan by Shareholders, then more once the assets of the company were sold – the Independent Expert has determined that “the orderly realisation of assets yields a secondary valuation of \$0.59 per share on an undiluted and fully diluted basis.”;
6. The **indicative price being offered is only 30-34 cents per share** based on the Independent Expert's report – this represents a **discount of at least 40%** to the asset backing of PF1;
7. If the offer was accepted in full Mr Steven Pritchard would control 57.19% of the voting power of the merged entity – he could outvote ALL PF1 shareholders combined;
8. Pritchard Equity is offering you shares in a business with **substantially increased risks**

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

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

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

This further Target's Statement has been prepared by the Board of Property Fox No.1 and includes the report of VMC Global Pty Ltd, the Independent Expert. It is important to note that the Independent Expert has determined that the consideration being offered by Pritchard Equity Limited is **not fair and not reasonable**

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

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

The Independent Expert's Report also says that:

**“Based on our quoted price of listed securities analysis, we have calculated the fair market value of the PFAA shares to fall within the range of \$0.50 to \$0.56 per share on an undiluted and fully diluted basis.”**

**“The orderly realisation of assets yields a secondary valuation of \$0.59 per share on an undiluted and fully diluted basis, which is 5.36% above our high range valuation calculated under the quoted price for listed securities valuation method.”**

With regards to Pritchard Equity they said:

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

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

This means that shareholders accepting the offer are effectively selling up to 59c in value for 30c to 34c – **not a good deal** for the shareholder.

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

- A Price Offered that is at a discount to the true value of your holding in PF1
- Lack of Liquidity in Pritchard Equity securities
- Diminution of Voting Power

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

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

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

### **Why the Original Target's Response was replaced**

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

Shareholders should disregard the previous Target Statement forwarded to them and rely on the Target's Statement that you will receive in the post shortly. Alternatively you can [download PF1's Target Response here](#) (7.1MB) or contact the company on 07 3031 9950.

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

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

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

If you have any further queries, please do not hesitate to contact us on 07 3031 9950 or email me at [peter@freemanfox.com.au](mailto:peter@freemanfox.com.au)

Yours faithfully,



Peter Spann  
Managing Director