

23rd December 2008

National Stock Exchange of Australia
Level 2
117 Scott Street
Newcastle, NSW,
Australia 2300

BY E-LODGEMENT

**LODGEMENT OF NOTICE OF EXTRAORDINARY GENERAL MEETING WITH
ASIC**

Please find attached Notice of Meeting, Independent Expert Report and ASIC Form 280 lodged with ASIC today in relation to a proposed buy-back of up to 40% of the A Class shares on issue at \$0.55 per share.

The Notice of Meeting includes an Independent Expert Report on the terms of the proposed buy-back.

Shareholders should note that the Directors have decided to make a minor amendment to the terms of the buy-back previously announced to allow for a buy-back of up to 40% of the A Class Shares on Issue at \$0.55 per share.

Interested shareholders can contact the Company for more information.

About Property Fox No.1 Limited

Property Fox No. 1 Limited is a real estate investment Company which has holdings in a range of residential properties in New South Wales and Queensland. Property Fox No. 1 Limited listed on the National Stock Exchange of Australia on 28 February 2007.

For additional information please contact the Company on +61-7-3031 9971

Property Fox No.1 Limited Forward - Looking Statements

This document contains forward-looking statements that reflect the Company's current expectations regarding future events. Forward-looking statements involve risks and uncertainties. Actual events could differ materially from those projected herein and depend on a number of factors including the success of the Company's marketing strategy, and various other uncertainties.

Notification of share buy-back details

Related forms:

281 Notice of intention to carry out a share buy-back

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Company details

Company name

Property Fox No. 1 Limited

ACN/ABN

97 101 816 353

Lodgement details

Who should ASIC contact if there is a query about this form?

Firm/organisation

Whittens Lawyers and Consultants

Contact name/position description

Andrew Whitten

ASIC registered agent number (if applicable)

Telephone number

02 92642216

Postal address

Suite 9, Level 5 137
Bathurst Street Sydney NSW 2000

1 Type of share buy-back

The 10/12 limit is 10% of the smallest number, at any time during the last 12 months, of votes attaching to voting shares of the company.

Tick one box.

Use a separate form for each share
buy-back lodgement requirement

- ☐ Employee share scheme buy-back (over 10/12 limit)
- ☐ On-market buy-back (over 10/12 limit)
- ☐ Equal access scheme buy-back (within 10/12 limit)
- ☒ Equal access scheme buy-back (over 10/12 limit)
- ☐ Selective buy-back

2 Relevant date

Relevant date

05/02/09
[D] [M] [Y]

- If the buy-back agreement is conditional on the passing of a resolution — the relevant date is date the resolution is passed.
- If the buy-back is not conditional on the passing of a resolution — the relevant date is the date the agreement is entered into (s257F).
- If a resolution is to be passed by way of a circular to all members that complies with s249A, an estimated last date for signing the circular should be used.

3 Documents attached to this form

Tick one box.

- ☒ **Shareholder approval if the 10/12 limit exceeded (s257C(3))**
Attach notice of meeting and any document relating to the buy-back that will accompany the notice of the meeting sent to shareholders.
- ☐ **Selective buy-back (s257D(3))**
Attach notice of meeting and any document relating to the buy-back that will accompany the notice of the meeting sent to shareholders.
- ☐ **Equal access scheme buy-back and selective buy-back (s257E)**
Attach documents setting out the terms of the offer and any document that is to accompany the offer.

Signature

This form must be signed by a director or secretary.

I certify that information in this form is true and correct and the attached documents marked (4) of (54) pages are true copies.

Name

Andrew Whitten

Capacity

☐ Director

☒ Secretary

Signature

[Signature]

Date signed

2 3 1 / 2 0 8
[D] [M] [Y] [M] [Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

For help or more information

Telephone 03 5177 3988
Email info.enquiries@asic.gov.au
Web www.asic.gov.au

BUY-BACK PROCEDURE

The following table specifies the steps required for, and the sections (and forms) that apply to, the different types of buy-back.

Procedures (and sections applied)	Minimum holding	Employee share scheme buy-back		On-market buy-back		Equal access scheme buy-back		Selective buy-back
		within 10/12 limit	over 10/12 limit	within 10/12 limit	over 10/12 limit	within 10/12 limit	over 10/12 limit	
Ordinary resolutions (s257C)			YES		YES		YES	YES
Special/unanimous resolutions (s257D)						YES	YES	YES
Lodge offer documents with ASIC (s257E)		YES	YES	YES	YES	YES	YES	YES
14 days notice (s257F)						YES	YES	YES
Disclose relevant information when offer made (s257G)						YES	YES	YES
Cancel shares (S257H)	YES	YES	YES	YES	YES	YES	YES	YES
Notify cancellation to ASIC on Form 484 (s254Y)	YES	YES	YES	YES	YES	YES	YES	YES
Lodge Form 280 with ASIC	NO	NO	YES	NO	YES	YES	YES	YES
Lodge Form 281 with ASIC	NO	YES	See Note 1	YES	See Note 1	See Note 1 & 2	See Note 1 & 2	See Note 1 & 2

NOTE 1 The company should lodge a Form 281 if it intends to give short (less than 14 days) notice of a meeting to approve the buy-back and lodge the notice of meeting (with a Form 280) less than 14 days before the relevant date.

NOTE 2 The company should lodge a Form 281 if it lodges the documents referred to in s257E less than 14 days before the relevant date.

Relevant dates and lodgement periods

- If the buy-back agreement is conditional on the passing of a resolution — the relevant date is date the resolution is passed.
- If the buy-back is not conditional on the passing of a resolution — the relevant date is the date the agreement is entered into (s257F).
- If a resolution is to be passed by way of a circular to all members that complies with s249A, an estimated last date for signing the circular should be used.

The Form 281 must be lodged at least 14 days before the relevant date.

**NOTICE OF
EXTRAORDINARY
GENERAL MEETING
TO BE HELD ON
5th FEBRUARY 2009**

5th January 2009

Name

Address

Dear Shareholder,

On behalf of the Directors of Property Fox No 1 Ltd ("PF1" or "the company") I am pleased to invite you to Property Fox No 1 Limited's Extraordinary General Meeting ("EGM"). Enclosed is the notice of meeting setting out the business of the EGM.

The EGM will be held on **5th February 2009 at Level 21, 333 Ann Street, Brisbane, QLD, 4000** commencing at **11.00 am (Brisbane Time)**. If you decide to attend the EGM, please bring this letter with you to facilitate registration and entry into the EGM.

Further details relating to the resolution proposed at the EGM are set out in the Explanatory Notes accompanying the notice of meeting. I urge all shareholders to carefully read this material before voting on the proposed resolution.

If you are unable to attend the EGM, I encourage you to complete the enclosed Proxy Form. The Proxy form should be returned by mail or fax to the office of the share registry by 11am on 3rd February 2009.

The Board has engaged the services of William Buck, Chartered Accountants to prepare an Independent Expert Report ("IER") in relation to the proposed buy-back and its effect on PF1. A copy of this report is enclosed with this Notice of Meeting. Shareholders should read the report in its entirety as it contains important information about the proposed buy-back, its effect on PF1 and the consequential effects on your shareholding in PF1. If shareholders require further advice on how to vote in relation to the buy-back they should contact their professional legal, accounting or financial advisers.

I would like to take this opportunity to thank shareholders for their support of Property Fox No 1 Ltd and look forward to welcoming you to the EGM.

By order of the Board



Peter Spann
Managing Director
5th January 2009

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of shareholders of Property Fox No 1 Limited ACN 101 816 353 ("PF1" or "the company") will be held at the **Freeman Fox Boardroom at Level 21, 333 Ann Street, Brisbane, QLD 4000** on **5th February 2009** at **11.00am (Brisbane Time)** to transact the following business:

AGENDA

Business

Resolution - Approval of Share Buy-Back

"That pursuant to Section 257B (2) of the Corporations Act the Company be authorised to buy back 40% of each A Class shareholder's shares at a price of \$0.55 per share"

Please note that the above resolution is an ordinary resolution requiring 50% of those A Class shareholders present and voting, either in person or by proxy to vote in favour of the resolution for it to be carried.

By order of the Board



Andrew Whitten
Company Secretary
5th January 2009

NOTES TO NOTICE OF MEETING

Voting Entitlement:

For the purposes of determining voting entitlements at the Extraordinary General Meeting, A Class shares will be taken to be held by the persons who are registered as holding the A Class shares at 5pm on Tuesday 3rd February 2009 (the Entitlement Time). Accordingly, only those persons registered as holders of A Class shares at the Entitlement Time will be entitled to attend and vote at the Extraordinary General Meeting.

Appointment of proxy

1. A member entitled to attend and vote is entitled to appoint not more than two proxies;
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights;
3. A proxy need not be a member of the Company; and
4. To be valid, forms of proxy must be lodged at the office of the Share Registry.

EXPLANATORY NOTES

These explanatory notes have been prepared to assist shareholders to understand the business to be put to shareholders at the Extraordinary General Meeting.

Share Buy Back-Resolution

In order to fully inform shareholders regarding this resolution the following information is provided in relation to an equal access buy-back, in accordance with s257B(2) Of the Corporations Act. It should be noted that an equal access buy-back relates only to ordinary shares (s257B (2) (a) of the Corporations Act), however, as the vast majority of the share capital of the company are A class shares and the A class shares function as ordinary shares guidance was obtained from the Australian and Securities Investments Commission ("ASIC") as to whether or not an equal access scheme could be applied to the ordinary shares. ASIC was not convinced that the A class shares were not ordinary shares within the meaning of the Corporations Act.

1.1 Number of shares on Issue

Class	Number of Shares
A Class shares	4,513,001
Ordinary shares	1,250,000

1.2 Number and percentage of shares to be bought back

Shareholders are being asked to approve a resolution that allows for up to 1,805,200 A Class shares to be bought back at a price of \$0.55 per share, at a maximum cost to the Company of \$992,860. This is a buy-back of up to 40% of the A Class shares on issue and 31.32% of the entire issued capital (including the Ordinary shares) assuming all A Class shareholders accept the buy-back.

1.3 The particulars of the terms of the buy-back

Each shareholder will have the right to accept an offer from the Company to purchase 40% of their shareholding at \$0.55 per share. It is anticipated that, if approved by shareholders,

the buy-back offers will be dispatched to shareholders within one week of shareholder approval being received. The Board then plans to allow shareholders up to six weeks to accept all offers under this buy-back proposal and then, following closure of the offer, the funds will be sent to A Class shareholders in accordance with the level of acceptances.

1.4 The offer price

The offer price is \$0.55 per share to a maximum of 40% of each A class shareholder's holding.

1.5 The reasons for the buy-back

Due to the climate of economic uncertainty that is currently prevailing in world economic markets the Board of Property Fox No.1 Limited believes that the surplus cash currently held by the company is best distributed back to the shareholders. As such the Board is seeking shareholder approval to distribute almost \$1million back to the shareholders by way of the proposed buy-back.

1.6 The interests of the Directors in the buy-back

No Director of Property Fox No.1 Limited will be participating in the buy-back. Fox Portfolio Pty Ltd, a company associated with Mr Peter Spann, the holder of the Ordinary shares, will not participate, nor is entitled to participate in the buy-back. However, as disclosed in section 1.14 of this Notice of Extraordinary General Meeting the voting control of Fox Portfolio Pty Ltd (a company associated with the Managing Director, Mr Peter Spann) will increase if shareholders approve and take up the buy-back.

1.7 The source of the funds for the buy-back

As disclosed in the Annual Accounts of the Company as at 30 June 2008 the company held cash of \$1,427,875. As at 12 December 2008, the cash at bank balance was \$1,419,365. It is anticipated that a proportion of these funds will be used to fund the buy-back.

1.8 Advantages of the buy-back if shareholder approval obtained.

- The buy-back will allow PF1 to distribute to shareholders cash in their hands and will reduce the number of shares on issue.
- The shareholders are free to invest their cash in any way they see fit.
- The benefit of tax losses are concentrated with the remaining shareholders.

1.9 Disadvantages of the buy-back if shareholder approval is obtained.

- The buy-back will deplete the Company's funds.
- The Company will have a smaller pool of resources with which to continue its property investment operations.
- Voting power will be concentrated with the remaining shareholders.

1.10 Timing of offer

It is anticipated that the following timetable will occur, if the resolution is approved by shareholders:

Notice dispatched to shareholders	5 th January 2009
Shareholder approval for buy-back	5 th February 2009
Dispatch of offer terms and conditions to shareholders	12 th February 2009
Offer opens	13 th February 2009
Offer closes	27 March 2009
Payments mailed to shareholders and shares transferred to Company	4 April 2009
Shares cancelled	9 April 2009

Please note that the above dates are indicative only and subject to change.

1.11 Financial Position of the Company

PROPERTY FOX NO 1 LIMITED

Balance Sheet as at 12 December 2008

Cash & cash equivalents	1,419,365.95	
Trade & other receivables	26,212.23	
Inventories	1,293,110.55	
Other Financial Assets	67,191.48	
Prepayments	12,394.88	
Total Current Assets		2,818,275.09
Liabilities		
Current Liabilities		
Trade & Other Payables	37,156.00	
Total Current Liabilities		37,156.00
Non-Current Liabilities		
Borrowings	446,250.00	
Total Non-Current Liabilities		446,250.00
Total Liabilities		483,406.00
Net Assets		2,334,869.09
Equity		
Shareholders equity		
Issued Capital	4,506,710.56	
Accumulated losses	-2,171,841.47	
Total Equity		2,334,869.09

PROPERTY FOX NO 1 LIMITED
Proforma Balance Sheet assuming all
shareholders accept the offer to buy back
40% of their shares at 55 cents.

Cost of buying back 40% of all shares at 55 cents per share		\$992,860.00
Cost of IER etc.		\$25,000.00
Assets		
Current Assets		
Cash & cash equivalents	401,505.95	
Trade & other receivables	26,212.23	
Inventories	1,293,110.55	
Other Financial Assets	67,191.48	
Prepayments	12,394.88	
Total Current Assets		1,800,415.09
Liabilities		
Current Liabilities		
Trade & Other Payables	37,156.00	
Total Current Liabilities		37,156.00
Non-Current Liabilities		
Borrowings	446,250.00	
Total Non-Current Liabilities		446,250.00
Total Liabilities		483,406.00
Net Assets		1,317,009.09
Equity		
Shareholders equity		
Issued Capital	3,513,850.56	
Accumulated losses	-2,196,841.47	
Total Equity		1,317,009.09

*Shareholders should note that the above Pro Forma accounts include approximately \$25,000 in anticipated fees associated with the proposed buy-back including the costs of the Independent Expert Report, legal and accounting fees, registry, printing and mailing and distribution fees.

Shareholders should also consult the financial reports of the Company included in the Annual Report forwarded to shareholders and Independent Expert Report prepared and enclosed with this Notice of Meeting.

1.12 Last traded price on NSX

The last traded price on NSX as at the date of this Notice was 19 cents per share. As stated previously the buy-back resolution seeks shareholder approval for a purchase of up to 40% of each A Class shareholders shares at a price of 55 cents per share.

1.13 Ordinary resolution

This resolution is an ordinary resolution which requires 50% of shareholders who vote, either in person or by proxy, voting in favour of the proposed resolution.

Voting exclusion

Because of the potential effect on control of the Company, if this resolution is approved, the ordinary shareholder, Fox Portfolio Pty Ltd (a company associated with the Managing Director of PF1, Mr Peter Spann) will not vote on this resolution. Any votes cast by Fox Portfolio Pty Ltd in relation to this resolution will be disregarded by the Company and not counted.

1.14 Effect of control on the Company

This resolution can change the effect of the control on the Company by the major shareholders. The following table shows the increase in voting rights of the majority shareholder, Fox Portfolio Pty Ltd (a company associated with the Managing Director of PF1, Mr Peter Spann) should the buy-back be accepted by 50% of shareholders and all shareholders (100%).

Current voting rights of Fox Portfolio Pty Ltd	Voting rights of Fox Portfolio Pty Ltd if 50% of A Class shareholders accept the buy-back	Voting rights of Fox Portfolio Pty Ltd if 100% of A Class shareholders accept the buy-back
21.7%	25.72%	31.58%
Assuming no shares cancelled	Assuming 902,600 shares cancelled because of the buy-back	Assuming 1,805,200 shares cancelled because of the buy-back.

As stated above this resolution can change the effect of the control on the Company by the major shareholders. The following table, shows the increase in voting rights Pritchard Equity Limited may enjoy should it choose not to participate in the buy back and the buy-back was accepted by the other A class shareholders.

Current voting rights of Pritchard Equity Limited	Voting rights of Pritchard Equity Limited if 50% of A Class shareholders (besides Pritchard Equity Limited) accept the buy-back	Voting rights of Pritchard Equity Limited if 100% of A Class shareholders (besides Pritchard Equity Limited) accept the buy-back
10.64%*	12.30%^	14.58%~
Assuming no shares cancelled	Assuming 780,000 shares cancelled because of the buy-back	Assuming 1,560,000 shares cancelled because of the buy-back.

*Based on the Notice provided by Pritchard Equity Limited to NSX on 22nd December 2008 showing a relevant interest in 10.64% of PF1 or 613,000 A class shares.

^Based on Pritchard Equity Limited not accepting the buy-back for its A class shares and 50% of all other A class shareholders accepting.

~Based on Pritchard Equity Limited not accepting the buy-back for its A class shares and all other A class shareholders accepting.

1.15 Effect on Primrose Capital Management Pty Ltd's ("Primrose") bid for the A Class shares of PF1

Shareholders should read the bidder's statement of Primrose as lodged with the NSX on 1st December 2008 ("Primrose Bidder's Statement") in its entirety to understand the full effect of the buy-back on Primrose's offer. Primrose has indicated that they will not be accepting the buy-back with respect to any shares held by Primrose at the time of this offer.

Shareholders should note that if shareholders vote in favour of the buy-back contained within this Notice of Meeting, shareholders may cause a condition of the bid by Primrose to be breached and the bid to fail. This is because Primrose's bid is subject to a condition that, no dividends, distributions or redemptions are made by PF1. For more information on this important condition shareholders should carefully consult Appendix 2 at page 39 of the Primrose Bidder's Statement. It should also be noted that Primrose has the right to waive this and any other condition contained in its bid. Shareholders should also note that if they decide to accept the share buy-back as outlined in this Notice of Meeting and then subsequently accept Primrose's bid the amount of consideration paid to that shareholder by Primrose will be reduced to take into account the return of capital made by PF1 pursuant to the buy-back. Shareholders should consult the Primrose Bidder's Statement at page 6 for more information.

1.16 Effect on Pritchard Equity Limited's ("Pritchard") bid for the A Class shares of PF1

Shareholders should read the bidder's statement of Pritchard Equity Limited dated 1 September 2008 in its entirety to understand the full effect of the buy-back on Pritchard's offer. As Pritchard announced to the market on 26 November 2008 that its offer for the A Class shares in PF1 was unconditional, the Board of PF1 no longer believes that if the buy-back proceeds, following shareholder approval, it will breach a bid condition of the Pritchard bid.

1.17 Discussion of alternatives

There are a number of alternatives to an equal access buy-back scheme being conducted by the Board of PF1 to return capital to shareholders. The following alternatives were considered and not proceeded with. The reasons for the Board not proceeding with the stated alternative is outlined below.

Possible way of returning cash to shareholders	Reason for not proceeding
Dividend	Dividends can only be paid out of profits and as PF1 has not declared a profit the Board cannot pay a dividend
Pro-rata capital reduction	If the resolution is approved to reduce the capital of the company in a pro-rata manner ALL shareholders would be forced to accept the capital reduction and the consequential cash payment. This may be in direct conflict with the objectives of individual shareholders.
On-market buy-back	This would not allow all shareholders to have their shares (or an equal percentage of them) bought back by the company at the same price.

In addition to the above the Board of PF1 have considered many potential investments for the surplus cash held by the company. However, due to the current economic climate and the overwhelming desire of shareholders as expressed to the Board, the Board has resolved to ask shareholders to approve the equal access buy-back resolution the subject of this EGM.

1.18 Tax Information

The following information summarises the taxation implications of the proposed buy-back for the shareholders who elect to sell their shares back to the Company and is based on the Australian income tax laws as at 11 December 2008. It should be noted that the following information is general in nature and you should seek professional tax advice in order to determine the implications of the buy-back in your particular circumstances.

The proposed buy-back arrangement of the shares will constitute an “off market” share buyback as the shares are being acquired directly from the respective shareholders rather than through the National Stock Exchange.

Being an off market buy-back, the income tax legislation will deem that the buy-back price is made up of two components:

- a capital component; and
- a dividend component

The amount of the buy-back price allocated to each of the components is determined by the way in which the company accounts for the transaction, in that:

- the amount that is debited to the company's share capital account will be the capital component; and
- the balance of the buy-back price will be the dividend component.

In this case, the Company will debit the entire buy-back price against its share capital account, meaning that the entire amount will be considered a capital receipt in the hands of the shareholder.

As the Company will have accumulated losses at the date of the buy-back it is unlikely that the Commissioner would exercise his discretion under sections 45A or 45B of the Income Tax Assessment Act 1936 ("ITAA1936") to treat any part of the capital component as being a dividend. This is because the Company has no realised profits from which the dividend could reasonably be attributed to.

Should the buy back be approved by the shareholders, the confirmation of above matters would be sought by the Company from the ATO on behalf of shareholders in the form of a Class Ruling.

CGT Implications

A summary of the taxation implications of the buy-back for those shareholders who hold their shares on capital is set out below. If you are holding your shares on revenue account (for instance, if you are carrying on a business as a share trader) you should seek independent tax advice regarding the implications of the buy-back.

Australian Resident Shareholders

When the shares are bought back by the Company, the shareholders will need to determine whether they make a capital gain or capital loss from the disposal of their shares. A shareholder will make a capital gain where the cost base of their shares is less than the proceeds received from the buyback. Conversely, a shareholder will make a capital loss where the proceeds from the buyback are less than the cost base of their shares.

Generally, the cost base will be the amount the shareholder paid to acquire a share, plus any incidental costs of acquisition (for example, stamp duty and brokerage), adjusted for any capital reductions or issues of bonus shares.

If a capital gain is made, the taxable capital gain may be reduced where the shares have been held for more than 12 months. The amount by which the gain is reduced is:

- in the case of an individual or trust – the capital gain is reduced by a discount of 50%; and
- in the case of a complying superannuation fund – the capital gain is reduced by a discount of 33.33%

The CGT discount will not apply if the shareholder is a company or has held a share for less than 12 months.

Non-Resident Shareholders

Non-residents are exempted from tax on capital gains realised from the disposal of shares that are not Taxable Australian Property. Shares in a company will be considered Taxable Australian Property if:

- the shareholder and their associates held 10% or more of the issued shares in the Company (including any options to acquire shares) at the time of the buy-back or for a period of 12 months at any time during the 24 months prior to the buy-back; and
- 50% or more the assets of the Company (measured by market value and including 'indirect Australian real property interests' of the company) are interests in Australian real property.

If you are a non-resident and your associate-inclusive interest in the Company is more than 10% (or was more than 10% at any time in the last 24 months), you should contact the Company in order to determine whether more than 50% of the Company's assets were interests in real property at the date of buy-back. If you are a non-resident and your associate inclusive interest in the Company is less than 10%, no capital gain or loss will arise from the buy-back.

However, regardless of the extent of your interest in the Company, if you have previously been an Australian tax resident and elected to continue to treat your shares as being in the Australian tax system at the point in time that you became a non-resident, any capital gain arising from the buy-back will be assessable in Australia in accordance with the treatment set out for resident shareholders.

In either case, you should seek professional tax advice regarding the taxation implications of the buy-back in your county of residence.

1.19 Independent Director's Recommendation

Both Howard Woolcott and Jodie Stainton recommend to shareholders that they vote in favour of the resolution to approve the share buy-back.

1.20 Potential Effect on PF1's Share price

Due to the historical illiquidity of PF1's shares as traded on NSX, the effect the buy-back on the share price of the company is unknown. The value of the Company's A class shares, listed on NSX could rise or fall. To this effect it should be noted that a similar resolution was originally announced on 29 October 2008 and no trades occurred in the A Class shares of PF1 following the announcement of that buy-back resolution. As the buy-back is being conducted at a significant premium to the last traded price of PF1's A class securities on NSX it is possible that the PF1 share price will increase prior to the buy-back. However, shareholders should read the Independent Expert Report in its entirety in relation to the potential effect of the buy-back on the share price of the company.

The recent trades of PF1 on NSX are as follows:

Date	Price	Volume	Value
17.10.2008	0.19	20,000	\$3,800
27.08.2008	0.23	20,000	\$4,600
21.08.2008	0.26	20,000	\$5,200
29.04.2008	0.42	20,000	\$8,400
21.04.2008	0.42	10,000	\$4,200
05.03.2008	0.42	40,000	\$16,800
21.02.2008	0.40	238,000	\$95,200
30.01.2008	0.35	20,000	\$7,000
30.01.2008	0.35	20,000	\$7,000

This information is correct as at 15 December 2008. For more information on recent trades please log on to www.nsx.com.au.

1.21 Intentions of Chairman of Meeting

It is the intention of the Chairman to vote undirected proxies in favour of the resolution.

APPOINTMENT OF PROXY

Please return your Proxy forms to:

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000
Locked Bag A14, Sydney South NSW 1235 Australia
Telephone: (02) 8280 7454
Facsimile: (02) 9287 0309
ASX Code: PFA
Website: www.linkmarketservices.com.au

If you would like to attend and vote at the Extraordinary General Meeting, please bring this form with you. This will assist in registering your attendance.



X99999999999

I/We being a member(s) of Property Fox No.1 Limited and entitled to attend and vote hereby appoint

A the **Chairman of the Meeting** (mark box)

☐

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following instructions (or if no directions have been given, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at 11:00am on Thursday, 5 February 2009, at Freeman Fox Boardroom at Level 21, 333 Ann Street, Brisbane QLD 4000 and at any adjournment of that meeting.

Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using this form an additional form of proxy is available on request from the share registry. Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

B To direct your proxy how to vote on the resolution please insert **X** in the appropriate box below.

Resolution 1

Approval of Share Buy-Back

For Against Abstain*

☐
☐
☐

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

C

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the securityholder's constitution and the Corporations Act 2001 (Cwlth).

PFA PRX841



How to complete this Proxy Form

1 Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in section A. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in section A. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

3 Votes on Items of Business

You should direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either securityholder may sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 11:00am on Tuesday, 3 February 2009, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the reply paid envelope or:

- by posting or facsimile to Property Fox No.1 Limited's share registry as follows:
Property Fox No.1 Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Facsimile: (02) 9287 0309
- delivering it to Level 12, 680 George Street, Sydney NSW 2000.

22 December 2008

The Directors
Property Fox No. 1 Limited
Level 11 Waterfront Place
1 Eagle Street
BRISBANE QLD 4000

Dear Sirs,

INDEPENDENT EXPERT REPORT AND FINANCIAL SERVICES GUIDE

1. Introduction

The Directors of Property Fox No. 1 Limited (Property Fox or the Company) have engaged William Buck Corporate Advisory Services (NSW) Pty Limited (William Buck) to prepare an Independent Expert Report in relation to its proposed equal access share buy-back of 40% of each shareholder's A Class Shares at a price of \$0.55 per A Class Share (Proposed Share Buy-Back).

The Proposed Share Buy-Back of 1,805,200 A Class Shares represents approximately 31.32% of the voting shares of Property Fox and requires shareholder approval under section 257C(1) of the *Corporations Act 2001*.

Our Report has been prepared solely for the purpose of assisting the A Class shareholders of Property Fox in considering whether or not the terms of the Proposed Share Buy-Back are fair and reasonable to them.

We note that our Report will accompany a Notice of Meeting to be sent to Property Fox shareholders in connection with the Proposed Share Buy-Back.

William Buck Corporate Advisory Services (NSW) Pty Limited • ABN 50 133 845 637

Authorised representative of William Buck Financial Services (NSW) Pty Limited, AFSL 240769

Level 29, 66 Goulburn Street, Sydney NSW 2000

T (61 2) 8263 4000 **F** (61 2) 8263 4111 **E** info@williambucknsw.com.au **W** www.williambuck.com.au

William Buck is an association of independent firms, each trading under the name of William Buck in Melbourne, Sydney, Brisbane, Adelaide and Perth

melbourne sydney brisbane adelaide perth

2. Summary of Opinion

2.1. Evaluation of the Proposed Transaction

In our opinion, the Proposed Share Buy-Back is **fair and reasonable** to the A Class shareholders of Property Fox.

Our principle reasons for reaching the above opinion are:

Assessment of the Fairness of the Proposed Share Buy-Back

We have valued the issued shares of Property Fox in the order of \$0.55 per A Class Share. As the consideration payable with respect to the Proposed Share Buy-Back of \$0.55 per share is equal to our valuation, we consider that the Proposed Share Buy-Back is fair to the A Class shareholders of Property Fox.

Assessment of the Reasonableness of the Proposed Share Buy-Back

As we have concluded that the Proposed Share Buy-Back is fair we also conclude that it is reasonable. Notwithstanding this conclusion, we have also assessed that the advantages of the Proposed Share Buy-Back to the A Class shareholders outweigh the disadvantages. A summary of the advantages and disadvantages identified is as follows:

Advantages

- Under the Proposed Share Buy-Back, A Class shareholders are able to dispose of up to 40% of their shareholding at a 289% premium to the current quoted market price of A Class Shares as last traded on the NSX at \$0.19 per share on 17 October 2008.
- The Proposed Share Buy-Back represents an alternative method for the disposal of a proportion of each A Class shareholder's holding for cash consideration. The Proposed Share Buy-Back will allow A Class shareholders to use the cash returned to them in a manner best suited to their individual circumstances.
- The consideration offered under the Proposed Share Buy-Back represents a greater return to shareholders than the valuation of other recent genuine offers received from Pritchard and Primrose.

Disadvantages

- The use of cash reserves to fund the consideration of the Proposed Share Buy-Back may restrict the Company from pursuing alternative investment opportunities in the future which have the potential of increasing shareholder value.
- Should the Proposed Share Buy-Back be fully accepted, A Class shareholders of Property Fox will go from holding 78.31% of the voting shares to holding 68.42% of the voting shares of Property Fox.

- The Proposed Share Buy-Back only relates to a maximum of 40% of each shareholder's holding of A Class Shares of Property Fox. In contrast, the two recent offers received for the A Class Shares of Property Fox relate to the acquisition of 100% of each shareholder's holding, providing A Class shareholders with an opportunity to divest all of their interests in Property Fox.

Implication to Non-Associated Shareholders if the Proposed Share Buy-Back is Not Accepted

We have considered some of the implications to A Class shareholders of Property Fox if the Proposed Share Buy-Back is not accepted as detailed below:

- A Class shareholders will not benefit from the premium paid on the disposal of a proportion of each shareholder's shares over the current quoted price of A Class Shares on the NSX if the Proposed Share Buy-Back is not accepted.
- A Class shareholders will not benefit from a cash return on a proportion of each shareholder's holding if the Proposed Share Buy-Back is not accepted.
- A Class shareholders will not benefit from realising a higher value on the disposal of a proportion of each shareholder's shares than if the recent genuine offers received for the acquisition of A Class Shares were accepted.
- A Class shareholders will continue to benefit from the cash funds held by Property Fox and will participate in any future opportunities the Company pursues through investment of the Company's cash assets.
- Voting power currently held by A Class shareholders will not be diminished.
- A Class shareholders will be able to dispose 100% of their interests in Property Fox through acceptance of one of the other offers currently available to shareholders.

2.2. General Advice

In forming our opinion, we have considered the interests of the A Class shareholders of Property Fox as a whole. This advice therefore does not consider the financial situation, objectives or need of the individual A Class shareholders. It is neither practical nor possible to assess the implication of the Proposed Share Buy-Back on individual A Class shareholders as their financial circumstances are unknown.

The decision of the A Class shareholders of Property Fox as to whether or not to accept the Proposed Share Buy-Back is a matter for each individual based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. The individual A Class shareholders should therefore consider the appropriateness of our opinion before acting on it.

As an individual A Class shareholders' decision to approve the Proposed Share Buy-Back may be influenced by his or her particular circumstances, we recommend that individual A Class shareholders consult their financial advisers.

2.3. Other

Our opinion has been based solely on information made available to us up to the date of this Report as set out in Appendix C. We have not undertaken to update our Report for events or circumstances arising after the date of this Report.

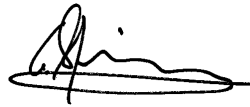
The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this Report including the appendices.

Yours faithfully,

William Buck Corporate Advisory Services (NSW) Pty Limited



Manda Trautwein
Director



Graham Spring
Director

PROPERTY FOX NO. 1 LIMITED

Proposed Equal Access Share Buy-Back

Independent Expert Report & Financial Services Guide

December 2008

William Buck
Business Advisors
Chartered Accountants



strategic advice



innovative solutions



service excellence

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Financial Services Guide

Dated 22 December 2008

William Buck Corporate Advisory Services (NSW) Pty Ltd ABN 50 133 845 637 ("William Buck" or "we" or "us" or "our" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of general financial product advice and to ensure that we comply with our obligations as an Authorised Representative of a financial services licensee.

The FSG includes information about:

- who we are and how we can be contacted
- the services we are authorised to provide as an Authorised Representative of William Buck Financial Services (NSW) Pty Ltd (Licence No: 240769)
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice
- any relevant associations or relationships we have
- our complaints handling procedures and how you may access them

Financial services we are licensed to provide

We are an Authorised Representative of William Buck Financial Services (NSW) Pty Ltd who holds an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
 - basic deposit products
 - deposit products other than basic deposit products
- derivatives limited to old law securities options contracts and warrants
- debentures, stocks or bonds issued or proposed to be issued by a government
- life products including:
 - investment life insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds
 - life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds

- interests in managed investment schemes including investor directed portfolio services
- retirement savings accounts products (within the meaning of the Retirement Savings Account Act 1997)
- securities
- superannuation

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as an Authorised Representative of a financial services licensee authorised to provide the financial product advice contained in the report.

General financial product advice

In our report we provide general financial product advice, not personal financial advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither William Buck, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are authorised to provide.

Associations and relationships

From time to time William Buck may provide professional services including financial advisory services to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As an Authorised Representative of a holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Compliance Officer, William Buck, Level 29, 66 Goulburn Street, Sydney NSW 2000.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Proposed Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service. The Financial Ombudsman Service is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry.

Further details about the Financial Ombudsman Service are available at the website www.fos.org.au or by contacting them directly at: the Financial Ombudsman Service, GPO Box 3, Melbourne VIC 3001 or Toll free: 1300 78 08 08 or by facsimile: (03) 9613 6399.

Contact details

You may contact us at William Buck, Level 29, 66 Goulburn Street, Sydney, NSW 2000 or by telephone on (02) 8263 4000.

1. Proposed Share Buy-Back

1.1. Summary of the Proposed Share Buy-Back

On 29 October 2008, Property Fox No. 1 Limited (Property Fox or the Company) announced in the Company's notice of meeting its intention to conduct an equal access share buy-back of a proportion of the Company's A Class Shares (the Proposed Share Buy-Back).

Property Fox currently has 4,513,001 fully paid A Class Shares and 1,250,000 ordinary shares on issue. Property Fox's A Class Shares are listed on the National Stock Exchange of Australia (NSX). The ordinary shares are not listed on any securities exchange.

Under the Proposed Share Buy-Back, Property Fox A Class shareholders will receive \$0.55 cash consideration per share for 40% of each A Class shareholder's shares. A maximum of 1,805,200 A Class Shares is proposed to be acquired and subsequently cancelled by Property Fox for a maximum total consideration of \$992,860. The Proposed Share Buy-Back is to be funded by the Company's cash on hand.

1.2. Conditions of the Proposed Share Buy-Back

The proposed transaction is conditional on and will not proceed unless and until a resolution has been passed at a general meeting by shareholders of Property Fox, approving the transaction in accordance with section 257C(1) of the *Corporations Act 2001*.

Section 257C(1) of the *Corporations Act 2001* applies where a company exceeds the 10/12 limit as set out in section 257B(4) of the *Corporations Act 2001*. The buy-back would exceed the 10/12 limit if the number of votes attaching to:

- all the voting shares in the company that have been bought back during the last 12 months and
- the voting shares that will be bought back if the buy-back is made

would exceed the 10/12 limit. The 10/12 limit for a company proposing to make a buy-back is 10% of the smallest number, at any time during the last 12 months, of votes attaching to voting shares of the company.

The Proposed Share Buy-Back is scheduled to close on 27 March 2009.

2. Scope of the Report

2.1. Purpose of the Report

This Report has been prepared to assist the A Class shareholders of Property Fox to assess the Proposed Share Buy-Back presented by Property Fox. The sole purpose of this Report is to set out William Buck's opinion as to whether the Proposed Share Buy-Back is fair and/or reasonable to the A Class shareholders of Property Fox. This Report should not be used for any other purpose.

Each individual shareholder must take into account his or her own circumstances when deciding whether to accept or reject the Proposed Share Buy-Back. Shareholders should seek their own independent professional advice to assist them in their decision, taking into account their preferences and expectations.

2.2. Corporations Act 2001 – Section 257

Section 257A of the *Corporations Act 2001* states that a company may buy-back its own shares if:

- The buy-back does not materially prejudice the company's ability to pay its creditors and
- The company follows the procedures laid down in this division

Section 257C(1) of the *Corporations Act 2001* requires that where a reduction in capital exceeds the 10/12 limit as set out in section 257B(4) of the *Corporations Act 2001*, shareholder approval must be obtained by the passing of a resolution at a general meeting of the company.

Further, section 257C(2) of the *Corporations Act 2001* requires that as part of the notice of meeting to shareholders, the company must include with the notice of meeting a statement setting out all information known to the company that is material to the decision on how to vote on the resolution.

As part of satisfying the requirements under section 257C(2) of the *Corporations Act 2001*, the Australian Securities and Investments Commission (ASIC) Regulatory Guide 110 *Share Buy-Backs* suggests that where a company proposes to buy-back a significant percentage of shares or the holdings of a major shareholder, it should consider providing an Independent Expert Report in relation to the proposed transaction.

The directors of Property Fox has requested that William Buck prepare an Independent Expert Report expressing our opinion as to whether or not the Proposed Share Buy-Back is "fair and reasonable" to the A Class shareholders of Property Fox, in order to satisfy their requirements under section 257C(2) of the *Corporations Act 2001*.

This Report will accompany the Notice of General Meeting to be sent to the shareholders of Property Fox.

2.3. Basis of Assessment

As there is no legal definition of the expression “fair and reasonable” in the *Corporations Act 2001*, we have considered guidance provided by ASIC Regulatory Guides in assessing whether the Proposed Share Buy-Back is fair and reasonable from the perspective of the A Class shareholders of Property Fox.

ASIC Regulatory Guide 111 states that an assessment of what is fair and reasonable should:

- Be judged in all the circumstances of the transaction
- Compare the likely advantages and disadvantages for the shareholders if the buy-back is agreed to, with the advantages and disadvantages to those shareholders if it is not
- Compare the value of the shares and the value of buy-back price to be paid

Furthermore, ASIC Regulatory Guide 111 treats “fair” and “reasonable” as two distinct criteria. The buy-back is “fair” if the value of the consideration is equal to or greater than the value of the securities that are the subject of the buy-back. The buy-back will be “reasonable” if it is fair, or, despite being not fair, after considering other significant factors there are sufficient reasons for the shareholders to accept the buy-back in the absence of any higher bid before the close of the buy-back.

2.4. Factors Considered in Determining our Opinion

In our opinion, the most appropriate basis on which to evaluate the Proposed Share Buy-Back is to assess the likely overall impact on the A Class shareholders of Property Fox and to form a judgement as to whether the expected benefits outweigh any disadvantages that might result from the Proposed Share Buy-Back.

In forming our opinion as to whether the Proposed Share Buy-Back is fair and reasonable to the A Class shareholders of Property Fox, we have compared:

- The fair market value of the A Class Shares of Property Fox with the value of the consideration offered
- The advantages and disadvantages to the A Class shareholders of Property Fox if the Proposed Share Buy-Back is accepted
- The advantages and disadvantages to the A Class shareholders of Property Fox if the Proposed Share Buy-Back is not accepted.

2.5. Sources of Information

In preparing this Report and arriving at our opinion, we have considered the information detailed in Appendix C of this Report.

We note that an important part of the information base used in forming an opinion of the kind detailed above, is comprised of the opinions and judgements of management. This type of information has been evaluated through analysis, enquiry and review to the extent practical. Often it is not possible, however, to externally verify or validate such information.

The statements and opinions expressed in this Report are made in good faith and have been based on information available as at the date of this Report. On completion of our review, as outlined in the paragraph above, we believe the information to be reliable, accurate, and prepared by Property Fox on a reasonable basis. We have relied upon information set out in Appendix C and have no reason to believe that any material factors have been withheld from us. We have not performed anything in the nature of an audit or financial due diligence on the information provided for this opinion. No warranty of accuracy or reliability is given by William Buck or its affiliated companies and their respective officers and employees in relation to this information.

The opinions of William Buck are based on prevailing market, economic and other conditions at the date of the Report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion.

2.6. Valuation Approaches Adopted

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

These include:

- the discounted cash flow (DCF) methodology and the estimated realisable value of any surplus assets
- the application of earnings multiples appropriate for 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
- the amount that would be available for distribution to security holders on an orderly realisation of assets
- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price might not reflect their value, should 100% of the securities be available for sale

- 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

A summary of each of the valuation approaches considered in the preparation of this Report has been set out in Appendix D.

In our opinion the orderly realisation of assets method is the most appropriate method to apply to the valuation of Property Fox. A number of recent genuine offers received for the A Class Shares of Property Fox have been considered in applying a secondary valuation method. Our consideration of the valuation methodologies listed above and our basis for selecting the orderly realisation of assets methodology for the valuation of Property Fox have been detailed in section 5.1.

3. Profile of Property Fox No. 1 Limited

3.1. Background

Property Fox was incorporated on 26 August 2002 and is primarily engaged in the acquisition and development of residential properties located in New South Wales and Queensland. The business was established by Mr Peter Spann, founder of the Freeman Fox group of companies. Property Fox was admitted to the official list of the NSX on 30 January 2007 and trading of its A Class Shares commenced on 28 February 2007 (NSX Code: PFAA).

The Company was originally established to help clients who were seeking to acquire and renovate an investment property, but who were not prepared to carry out the renovations themselves. Property Fox would search for properties that fitted the Company's investment criteria and then manage the renovations on behalf of investors.

3.2. Investments

Property Fox currently holds a number of investments as outlined below.

Cash and Cash Equivalents

As at 30 November 2008, Property Fox held \$1,187,712 in cash. This amount represents approximately 50.57% of the Company's total assets as at 30 November 2008.

Inventories

■ Fairfield Portfolio

Property Fox's investment at 38 Vine Street, Fairfield (Fairfield Portfolio) comprises of 12 residential units which were acquired by the Company in 2003 and renovated with a view to derive a profit. Eight units have already been sold, with another four remaining for sale. The building is currently under company title, however, the owners are in the process of converting these units to strata title.

■ Toowoomba Portfolio

Property Fox currently holds a 30% share of eight properties comprising houses and units located in Toowoomba, Queensland (Toowoomba Portfolio) with Freeman Fox Investments Pty Limited (20% share) and Property Fox No. 2 Limited (50% share). The properties were acquired in 2003 with the intention to hold the assets for a number of years to explore available development opportunities.

Financial Assets

■ Fox Riverside Pty Limited

Property Fox currently holds 2% of the issued shares of Fox Riverside Pty Limited. This shareholding provides Property Fox with a 5.95% profit and capital entitlement. Fox Riverside Pty Limited is party to a joint venture involving the development of two blocks of riverfront land in Tennyson, Queensland. The two blocks of land were put to sale by public auction on 27 September 2008 with development approvals in place. The property was passed in on a vendor's bid of \$3 million, however, was later sold on 6 November 2008 for \$2.75 million. Settlement took place on 24 November 2008.

■ Property Fox No. 2 Limited

As at 30 November 2008, Property Fox held 103,499 shares in Property Fox No. 2 Limited at a written down value of \$59,169. Property Fox No. 2 Limited had net assets of approximately \$2 million based on audited accounts as at 30 June 2008. The majority of its assets comprises a 49% investment in Fox Riverside Pty Limited (refer above), which entitles it to 31.17% of any profit and capital distributions. The company also holds a 50% investment in the Toowoomba Portfolio and interests in Fox Riverside No. 2 Pty Limited which predominantly holds real property on the Brisbane River at Anstead, Queensland with future development potential.

3.3. Board & Management

Information regarding Property Fox's current board and key management personnel is detailed below.

Mr Peter Spann – Chairman and Managing Director

Mr Spann commenced his career as a marketing consultant, working for Fullife Pty Limited, SMAARTco Pty Limited and Results Corporation Pty Limited.

He commenced conducting seminars in 1995 to educate ordinary Australians in investment strategies in the property market. In 2000, he founded the Freeman Fox group of companies to assist investors with the development of their properties.

Mr Spann is a director of Fox Invest Limited, a company listed on the Australian Securities Exchange (ASX) and Property Fox No. 2 Limited, listed on the NSX, as well as being a director of a number of other unlisted companies.

Mr Howard Woolcott – Executive Director

Mr Woolcott holds a Bachelor of Economics degree from The University of Sydney and is a Certified Practising Accountant (CPA). Mr Woolcott was previously a

director of Tribeca Learning Limited and Fox Invest Limited. He is also a director of Property Fox No. 2 Limited.

Ms Jodie Stainton – Executive Director

Ms Stainton began her property career as a cadet valuer while studying Property Economics at the Queensland University of Technology. She has experience in both residential and commercial property sales and management. Ms Stainton is the general manager of property management at Bees Nees Inner City Realty. She is also a director of Property Fox No. 2 Limited.

Mr Andrew Whitten – Company Secretary

Mr Whitten is a solicitor with experience in the areas of corporate finance and securities law. He holds a Bachelor of Arts degree from the University of New South Wales, a Master of Laws and Legal Practice degree, and a Graduate Diploma in Advanced Corporate Governance. Mr Whitten is currently the company secretary of a number of publicly listed companies.

3.4. Historical Financial Information

The following table sets out the audited Balance Sheets of Property Fox as at 30 June 2006, 30 June 2007 and 30 June 2008, together with unaudited management accounts for the period ended 30 November 2008.

Balance Sheets

	As at 30 June			
	Nov-2008 Unaudited	2008 Audited	2007 Audited	2006 Audited
Current Assets				
Cash and cash equivalents	1,187,718	1,427,875	1,279,887	197,376
Trade and other receivables	77,513	51,864	102,217	151,113
Inventories	1,293,111	1,293,111	2,649,111	4,534,105
Financial assets	283,939	283,939	0	0
Total Current Assets	2,842,281	3,056,789	4,031,215	4,882,594
Non Current Assets				
Financial assets	0	0	353,499	353,499
Total Non Current Assets	0	0	353,499	353,499
Total Assets	2,842,281	3,056,789	4,384,714	5,236,093
Current Liabilities				
Trade and other payables	47,396	38,615	63,919	51,738
Short term borrowings	446,250	446,250	1,166,250	1,832,500
Total Current Liabilities	493,646	484,865	1,230,169	1,884,238
Total Liabilities	493,646	484,865	1,230,169	1,884,238
Net Assets	2,348,635	2,571,924	3,154,545	3,351,855
Equity				
Contributed equity	4,506,711	4,506,711	4,730,350	4,730,350
Retained earnings	(2,158,076)	(1,934,787)	(1,576,229)	(1,378,919)
Minority interest	0	0	424	424
Total Equity	2,348,635	2,571,924	3,154,545	3,351,855

Source: Property Fox 2008 Annual Report, Property Fox 2007 Annual Report, Property Fox

The following table sets out the audited Income Statements of Property Fox for the years ended 30 June 2006, 30 June 2007 and 30 June 2008, together with unaudited management accounts for the period ended 30 November 2008.

Income Statements

	Year Ended 30 June			
	Nov-2008 Unaudited	2008 Audited	2007 Audited	2006 Audited
Revenue from ordinary activities	0	1,200,000	2,053,125	560,939
Cost of sales	0	(1,170,000)	(1,930,162)	(545,043)
Gross Profit	0	30,000	122,963	15,896
Expenses from Ordinary Activities				
Management fees	(7,844)	(17,135)	(121,310)	(123,074)
Impairment expenses	0	(257,000)	0	(572,065)
Directors fees	(10,500)	(25,200)	(22,275)	(27,200)
Professional fees	(180,635)	(139,682)	(77,366)	(101,412)
Borrowing costs	(9,315)	(39,989)	(138,262)	(166,673)
Body corporate fees	(3,563)	(11,877)	(41,497)	0
Other expenses	(85,390)	(80,382)	(155,693)	(141,018)
Other Income				
Interest revenue	36,271	92,782	6,423	19,783
Rental income	37,688	89,925	229,707	224,139
Profit/(Loss) Before Income Tax	(223,288)	(358,558)	(197,310)	(871,624)
Income tax (expense) credit	0	0	0	(22,484)
Profit/(Loss) After Income Tax	(223,288)	(358,558)	(197,310)	(849,140)
Profit / (loss) attributable to minority interests	0	0	0	0
Profit/(Loss) Attributable to Members	(223,288)	(358,558)	(197,310)	(849,140)

Source: Property Fox 2008 Annual Report, Property Fox 2007 Annual Report, Property Fox

3.5. Capital Structure

Information regarding Property Fox's current capital structure is detailed below.

A Class Shares

As at the date of this Report, Property Fox had 4,513,001 A Class Shares on issue. The A Class Shares are listed on the NSX.

A Class Shares have the right to collectively receive 75% of all dividends declared by the Company and to collectively receive 100% of any distribution of capital upon a winding up of the Company. A Class Shares also have the right to vote at all meetings of members of the Company with each share entitling its holder to one vote.

The top 10 shareholders of A Class Shares in Property Fox and their respective holdings are shown in the table below.

Shareholder	No. of Shares	%
Henley Underwriting & Investment Company Pty Ltd	251,000	5.56
Pritchard Equity Limited	240,000	5.32
C & AC Pty Ltd <C & A Chappel Super A/C>	120,000	2.66
Damien Negus <Bush Magic Super A/C>	100,000	2.22
Peter Schaap & Pauline Schaap <Schaap Super A/C>	100,000	2.22
David William Searle & Rosemarie Anne Searle	100,000	2.22
Melcrag Pty Ltd	80,000	1.77
Quest Invest Pty Ltd	80,000	1.77
Pilkadaris Holdings Pty Ltd <Pilkadaris Unit A/C>	60,000	1.33
Stephen Wheeler <Wheeler Super A/C>	60,000	1.33
Top 10 Shareholders	1,191,000	26.39
Total Shareholders	4,513,001	100.00

Source: Property Fox, 4 December 2008

The following table sets out a summary of A Class shareholder spread as at 4 December 2008.

	Number of Holders	Number of Shares
1 to 1,000	1	1
1,001 to 5,000	1	2,000
5,001 to 10,000	2	20,000
10,001 to 100,000	152	3,880,000
100,001 and more	3	611,000
Total	159	4,513,001

Source: Property Fox, 4 December 2008

Ordinary Shares

As at the date of this Report, Property Fox had 1,250,000 unlisted ordinary shares on issue. Ordinary shares have the right to collectively receive 25% of all dividends declared by the Company. Ordinary shares have no entitlement to participate in a distribution of capital upon a winding up of the Company or to otherwise receive payments by way of a return of capital. Ordinary shares have the right to vote at all meetings of members of the Company with each share entitling its holder to one vote.

Fox Portfolio Pty Limited, a company controlled by Mr Peter Spann, currently owns 100% of the ordinary shares on issue.

4. Industry Overview

The residential property operators and developers industry in Australia consists of those entities predominantly engaged in the renting or leasing of properties to other parties.

The properties rented or leased out in this industry typically include residential properties or dwellings such as separate houses, apartments, flats and terraces or semi-detached properties. This industry also includes residential land development and subdivision but excludes associated construction activities, however, this segment is estimated to only account for around 7% of industry revenue.

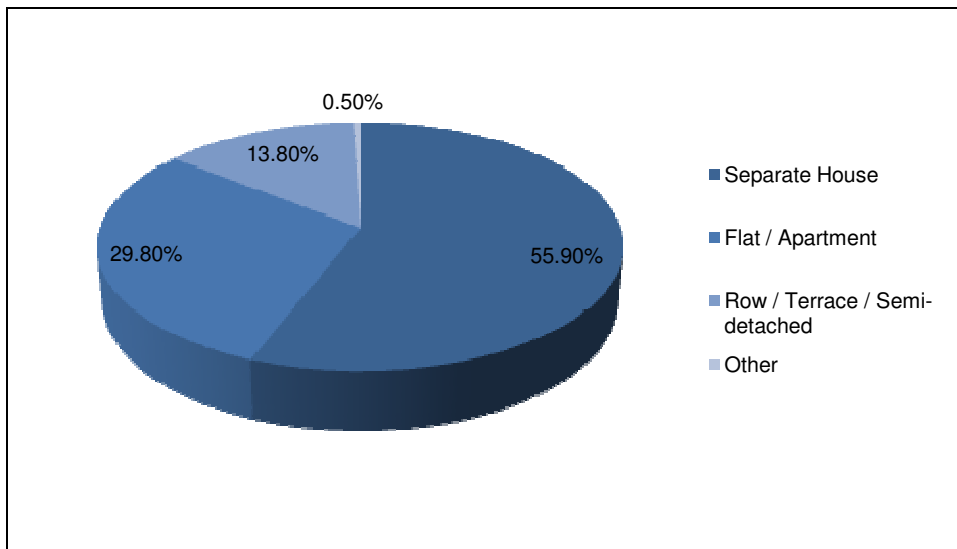
Segmentation

It is estimated that the total number of establishments within the residential property operators and developers industry amounted to 70,983 as at 30 June 2008.

Separate houses were the most common properties offered in the industry and made up the largest market segment, comprising approximately 55.9% of industry properties, followed by flats and apartments (29.8%) and row/terrace/semi-detached properties (13.8%).

The following table sets out the market segmentation in the industry by product.

Market Segmentation



Source: IBISWorld, 2 December 2008

Industry Characteristics

The industry is affected by a range of economic factors. Mortgage interest rates, economic growth, the level of disposable income, unemployment, government assistance and population growth all impact the level of demand in the residential property operators and developers industry.

The large number of tenants and landlords alongside a high volume of rental property stock ensures that no single competitor has a significant influence over the market. Additionally, volatility in revenue derived from rental activities is generally low as rental prices, on average, increase at a similar pace to average wages. The capital component of the property may, however, have a higher level of volatility as it is more susceptible to changes in the economic climate.

The barriers to entry are low in this industry. Any Australian citizen, company or superannuation fund is eligible to purchase residential property for investment, provided the entrant has the capital or the ability to access sufficient capital to purchase the property.

Success Factors

Participants in the residential property operators and developers industry are principally engaged in renting or leasing properties to other parties. In order to remain competitive in this industry, operators must ensure they maintain a clear understanding of government policies and the effects these policies have on their activities. Consideration of key tax implications is also important for industry competitors.

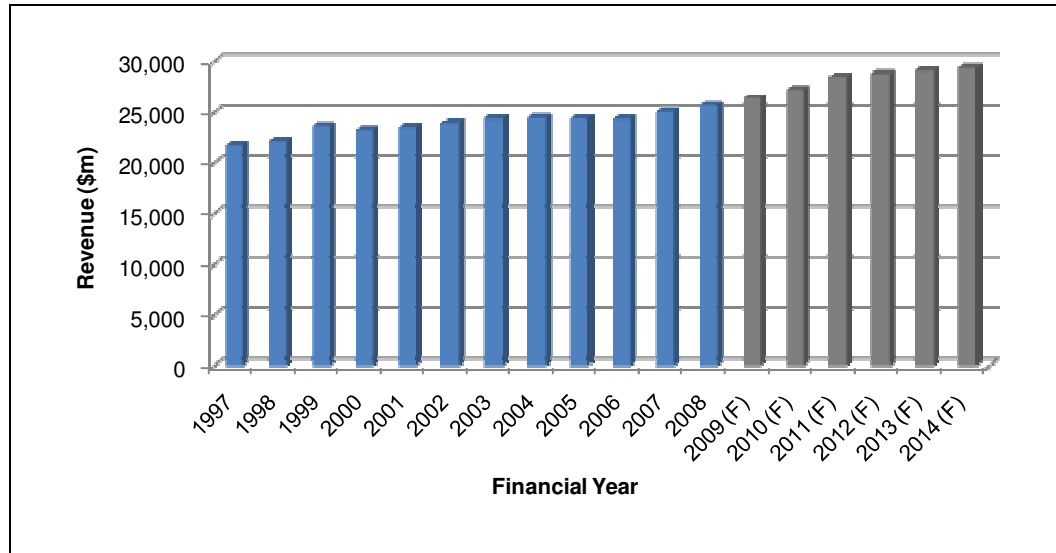
An understanding of the market is critical in this industry. Competitors must pay attention to key indicators for demand levels in the market such as mortgage rates, housing affordability, population growth rate and residential property yields. The ability to identify cyclical trends in the industry provides a market participant with a competitive advantage.

Historical Industry Performance

The industry has experienced strong growth in the 2007 and 2008 financial years, averaging revenue growth of 2.6% per annum, well above the average annual growth rate of approximately 1.3% experienced from 1997 to 2006. This sharp increase in revenue may be attributed to the upward trend in the Reserve Bank of Australia's official cash rate from 4.25% in 2002 to 7.25% at the end of the 2008 financial year, which has pushed up mortgage interest rates. Additionally, the current problems faced by global credit markets have placed further pressure on financial institutions to tighten lending practices. These factors have reduced housing affordability and resulted in many Australians turning to the rental market.

The following graph sets out the revenue achieved by the residential property operators and developers industry for the 12 years from 1997 to 2008, including forecast industry revenue from 2009 to 2014.

Industry Revenue



Source: IBISWorld, 2 December 2008

Total industry revenue was estimated at \$25.7 billion for the 2008 financial year, representing an increase of approximately 2.4% on the previous year.

Outlook

In terms of revenue, the residential property operators and developers industry grew at above average rates during the 2007 and 2008 financial years. This above average growth is expected to increase in coming years as the effects of higher interest rates, slower economic growth, rising household debts and the current turmoil in global credit markets filter through the Australian economy.

Industry revenue is expected to substantially increase over the coming years at an average growth rate of approximately 3.6% during the 2009, 2010 and 2011 financial years. Industry revenue growth is then expected to subside to approximately 1% per annum during the 2012, 2013 and 2014 financial years.

5. Valuation of Property Fox No. 1 Limited

In our opinion, we have determined the current market value of the A Class Shares of Property Fox to be in the order of \$0.55 per share.

Our assessment of the market value per share is detailed in the remainder of this section.

5.1. Valuation Methodologies

Various valuation methodologies have been considered in the valuation of Property Fox as detailed below.

In our opinion the orderly realisation of assets method is the most appropriate method to apply to the valuation of the A Class Shares of Property Fox. We have considered a number of recent genuine offers received by Property Fox in the application of a secondary valuation methodology.

A summary of each of the available valuation methodologies has been set out in Appendix D.

The Discounted Cash Flow (DCF) Method

No reliable estimates of future cash flows are available to enable us to conduct a DCF valuation of the business carried out by Property Fox.

Capitalisation of Future Maintainable Earnings

Property Fox does not have a profitable trading history which would enable the application of the capitalisation of future maintainable earnings valuation method.

An earnings based valuation is not appropriate in the case of Property Fox as the profits of businesses such as Property Fox, engaged in real estate investment and redevelopment, can fluctuate dramatically between periods based on changes in the underlying investments of the entity. Moreover, historical performance does not necessarily provide an appropriate indication of expected future performance.

The Quoted Price for Listed Securities

As a public listed company, Property Fox's shares are currently traded on the NSX, however, the Company's shares are, in our opinion, not sufficiently liquid for the quoted price to form the basis of a valuation of the shares. Property Fox's A Class Shares have only registered three transactions in the six months preceding the announcement of the Proposed Share Buy-Back, at a total volume traded of 1.33% for the period. This does not represent an acceptable trading volume to enable the quoted price to form the basis of our valuation.

Orderly Realisation of Assets

The orderly realisation of assets valuation methodology takes into account the estimated value of the net assets on a going concern basis. This methodology is suitable for the valuation of an investment holding company where the underlying assets have been recorded at fair market value.

In our view, a valuation based on the fair market value of the Company's assets provides the most appropriate method for determining a valuation of Property Fox's A Class Shares.

Any Recent Genuine Offers Received

As at the date of this Report, two separate offers have been received by A Class shareholders of Property Fox as follows:

- On 5 August 2008 Pritchard Equity Limited lodged a bidder's statement to acquire 100% of the A Class Shares of Property Fox. A replacement bidder's statement was lodged on 22 August 2008. The scrip consideration under the offer was determined to fall within the range of \$0.30 to \$0.34 per A Class Share in an independent expert report dated 1 October 2008.

On 14 November 2008 Pritchard Equity Limited offered additional cash consideration of \$0.05 per A Class share in addition to the existing offer in the event that the company is successful in obtaining a relevant interest of 66% or more of Property Fox A Class Shares.

On 26 November 2008 the offer was made unconditional.

- On 1 December 2008 Primrose Capital Management Pty Limited lodged a bidder's statement to acquire 100% of the A Class Shares of Property Fox. Total cash consideration of \$0.30 per share was offered.

On the basis of information available in relation to the abovementioned recent genuine offers received by A Class shareholders, we consider that a valuation based on these recent genuine offers received by the shareholders provide an appropriate secondary method for determining the valuation of the Company's A Class Shares.

5.2. Valuation – Orderly Realisation of Assets

The orderly realisation of assets valuation methodology takes into account the estimated value of the net assets on a going concern basis.

The following table sets out the unaudited management accounts of Property Fox as at 30 November 2008. Adjustments have been made to restate the net assets of the Company at their net realisable values to derive a pro forma balance sheet as at 30 November 2008. The effects of the Proposed Share Buy-Back have been considered in deriving the pro forma balance sheet as at April 2009, along with material movements in the Company's net assets since 30 November 2008.

Pro Forma Balance Sheets

	Ref	Nov-2008 Unaudited	Adj	Nov-2008 Pro Forma	Buy-Back Adj	Apr-2009 Pro Forma
Current Assets						
Cash and cash equivalents	1	1,187,718	208,250	1,395,968	(1,017,860)	378,108
Trade and other receivables		77,513		77,513		77,513
Inventories	2	1,293,111	163,344	1,456,455		1,456,455
Financial assets	3	283,939	(223,330)	60,609		60,609
Total Current Assets		2,842,281		2,990,545		1,972,685
Total Assets		2,842,281		2,990,545		1,972,685
Current Liabilities						
Trade and other payables		47,396		47,396		47,396
Short term borrowings		446,250		446,250		446,250
Total Current Liabilities		493,646		493,646		493,646
Total Liabilities		493,646		493,646		493,646
Net Assets		2,348,635		2,496,899		1,479,039
Equity						
Contributed equity	4	4,506,711		4,506,711	(1,017,860)	3,488,851
Retained earnings	5	(2,158,076)	148,264	(2,009,812)		(2,009,812)
Total Equity		2,348,635		2,496,899		1,479,039

Source: Property Fox, incorporating adjustments by William Buck

The following adjustments have been made to derive the pro forma balance sheets of Property Fox as at 30 November 2008 and April 2009:

- Cash and cash equivalents have been adjusted for the following:
 - Cash distribution of \$208,250 received on 5 December 2008 in relation to the settlement of the Company's indirect investment in vacant land held at Tennyson, Queensland through Fox Riverside Pty Limited
 - Total cash consideration of \$992,860 in relation to the Proposed Share Buy-Back of 40% of A Class Shares at \$0.55 per share, assuming 100% acceptance of the Proposed Share Buy-Back
 - Estimated costs of \$25,000 being approximately 2.5% of the value of the Proposed Share Buy-Back
- Inventories have been adjusted for the following:
 - Increase of \$17,100 in inventories relating to the revaluation of the Fairfield Portfolio at market value less selling costs estimated at 3% of market valuation
 - Increase of \$146,244 in inventories relating to the revaluation of the Toowoomba Portfolio at market value less selling costs estimated at 3% of market valuation
- Financial assets have been adjusted for the following:
 - Decrease of \$15,080 in financial assets to adjust to the actual amount of the capital distribution received upon the realisation of the underlying assets of the investment in Fox Riverside Pty Limited
 - Capital distribution of \$208,250 received on 5 December 2008 in relation to the settlement of the Company's indirect investment in vacant land held at Tennyson, Queensland through Fox Riverside Pty Limited

4. *Contributed equity has been adjusted for the following:*
 - *Total cash consideration of \$992,8605 in relation to the Proposed Share Buy-Back of 40% of A Class Shares at \$0.55 per share, assuming 100% acceptance of the Proposed Share Buy-Back*
 - *Estimated costs of \$25,000 being approximately 2.5% of the value of the Proposed Share Buy-Back*
5. *Retained earnings have been adjusted for the following:*
 - *Increase of \$17,100 in inventories relating to the revaluation of the Fairfield Portfolio at market value less selling costs estimated at 3% of market valuation*
 - *Increase of \$146,244 in inventories relating to the revaluation of the Toowoomba Portfolio at market value less selling costs estimated at 3% of market valuation*
 - *Decrease of \$15,080 in financial assets to adjust to the actual amount of the capital distribution received upon the realisation of the underlying assets of the investment in Fox Riverside Pty Limited*

We have analysed the net assets recorded in the management accounts of Property Fox as at 30 November 2008 as follows.

■ **Cash and Cash Equivalents**

As at 30 November 2008, Property Fox held \$1,187,712 in cash. This amount represents approximately 50.57% of the Company's total assets as at 30 November 2008.

■ **Inventories**

Property Fox has recorded its Fairfield and Toowoomba Portfolios as inventory at the lower of cost or net realisable value in accordance with Australian Accounting Standards. As at 30 November 2008, the written down value of the Fairfield and Toowoomba Portfolios was \$1,293,111.

We have commissioned independent valuations of the properties comprising the Fairfield and Toowoomba Portfolios for the purpose of preparing this Report. Based on the valuations obtained, we have restated the balance of inventories on a net realisable value basis. We have included an allowance for costs associated with the disposal of the assets estimated at 3% of the market valuations obtained through the independent valuations. We have adjusted the written down value of inventories as at 30 November 2008 by a net amount of \$163,344 in this regard.

We note that no deferred taxation liability has been recorded as we have been advised that Property Fox has significant tax losses carried forward from previous years.

■ **Financial Assets**

Property Fox currently holds 2% of the issued shares of Fox Riverside Pty Limited. This shareholding provides Property Fox with a 5.95% profit and capital entitlement. Fox Riverside Pty Limited is party to a joint venture involving the development of two blocks of riverfront land in Tennyson, Queensland.

Property Fox has classified its investment in Fox Riverside Pty Limited as a financial asset and recorded it at fair market value in accordance with Australian Accounting Standards.

As at 30 November 2008, the fair market value of Property Fox's investment in Fox Riverside Pty Limited was \$223,330.

William Buck has been advised that the joint venture has disposed of the Tennyson property for total consideration of \$2.75 million. Settlement of the contract took place on 24 November 2008.

Accordingly, we have adjusted the written down value of Property Fox's investment in Fox Riverside Pty Limited to \$208,250 based the Company's actual final cash distribution received on realisation of the underlying assets. Property Fox is currently entitled to approximately \$8,500 of further cash assets remaining in the joint venture which has been set aside to cover incidental costs expected to be incurred in the winding up of the joint venture. No allowance has been made for the \$8,500 in our adjustment.

As at 30 November 2008, Property Fox held 103,499 shares in Property Fox No. 2 Limited at a written down value of \$59,169. No matters have come to our attention to suggest that the written down value of Property Fox's investment in Property Fox No. 2 Limited is materially misstated.

■ Borrowings

Property Fox had secured commercial bill facilities totalling \$446,250 in place as at 30 November 2008.

Valuation Summary

Based on the above analysis, we have calculated the fair market value of the A Class Shares to be in the order of \$0.55 per share, as shown below.

Fair market value of net assets	\$2,496,899
No of shares with capital entitlement	4,513,001
Implied valuation per share with capital entitlement	\$0.55
Adopted valuation range	\$0.55

As noted in section 3.5, ordinary shares of Property Fox have no entitlement to participate in a distribution of capital upon a winding up of the Company or to otherwise receive payments by way of a return of capital. Our valuation has been prepared on the basis that the A Class Shares are entitled to 100% of the valuation of the Company using the orderly realisation of assets method.

No premium for control has been applied in our valuation of the A Class Shares of Property Fox. A valuation of the Company using the orderly realisation of assets method takes into account 100% of the fair market value of the Company's assets

after allowing for costs associated with the realisation of the assets and, as such, a premium for control is not appropriate.

5.3. Valuation – Recent Genuine Offers Received

When undertaking a valuation, it is common practice to apply a secondary valuation methodology to assess the reasonableness of the valuation conclusion reached using the primary methodology.

For the purposes of this valuation we have compared the value derived under the orderly realisation of assets method with recent genuine offers received by Property Fox. At the date of this Report, Property Fox has received two recent genuine offers for the Company's A Class Shares through two separate takeover bids from unrelated parties.

Pritchard Equity Limited

On 1 September 2008, Pritchard Equity Limited (Pritchard) lodged a replacement bidder's statement to acquire 100% of the A Class Shares of Property Fox in exchange for scrip in Pritchard. All of the share classes of Pritchard to be issued under the offer are listed on the NSX. The offer has since been extended to close on 31 December 2008.

Under the offer, Property Fox A Class shareholders will receive issued capital in Pritchard as follows:

- 0.075 newly issued fully paid Class A ordinary shares (NSX code: PEQA) in Pritchard for every A Class share held in Property Fox;
- 0.025 newly issued fully paid Class B ordinary shares (NSX code: PEQB) in Pritchard for every A Class share held in Property Fox; and
- 0.0034 newly issued fully paid Preferred Income Equity Securities (NSX code: PEQPA) in Pritchard for every A Class share held in Property Fox.

An independent expert report was commissioned by Property Fox at the time, which placed a value on the consideration under the offer within the range of \$0.30 to \$0.34 per A Class share (\$0.37 to \$0.42 per A Class share on a fully diluted basis).

On 26 November 2008 Pritchard announced that, if the company is successful in obtaining a relevant interest of 66% or more of Property Fox A Class Shares, Pritchard will add \$0.05 per share cash consideration in addition to the offer outlined above.

On 26 November 2008 the offer was made unconditional.

On the basis that the offer is successful, the cash consideration must be added to the valuation of the Property Fox A Class Shares above. The consideration under the revised offer therefore falls within the range of \$0.35 to \$0.39 per A Class share (\$0.42 to \$0.47 per A Class share on a fully diluted basis).

Primrose Capital Management Pty Limited

On 1 December 2008, Primrose Capital Management Pty Limited lodged a bidder's statement to acquire 100% of the A Class Shares of Property Fox for cash consideration of \$0.30 per share.

The offer is subject to a number of conditions as set out in the bidder's statement, including a 90% minimum acceptance of the offer and various confirmations being made in relation to the value of cash assets and liabilities of Property Fox in its target statement.

On the basis that the offer is successful, the consideration under the offer amounts to \$0.30 per A Class Share.

Valuation Summary

The recent genuine offers received by Property Fox yields a secondary valuation within the range of \$0.30 to \$0.39 per A Class Share, which is less than the valuation derived under the orderly realisation of assets valuation method of \$0.55.

5.4. Conclusion

Property Fox is an investment company with assets which are capable of being realised within a reasonable period of time. The majority of the Company's net assets are currently held in cash or directly and indirectly in residential property investments.

In our view, the valuation obtained under the orderly realisation of assets method presents a more accurate valuation of the A Class Shares of Property Fox than the secondary valuation based on recent genuine offers received.

As such, we have determined the current market value of the A Class Shares of Property Fox to be \$0.55 per share.

6. Evaluation of the Buy-Back

6.1. Assessment of the Fairness of the Proposed Share Buy-Back

ASIC Regulatory Guide 111 defines an offer as being '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.

Under the Proposed Share Buy-Back, A Class shareholders will receive \$0.55 per share to a maximum of 40% of each shareholder's holding.

The cash consideration offered under the Proposed Share Buy-Back of \$0.55 is equal to our valuation of \$0.55 per A Class Share.

On this basis, William Buck has determined that the Proposed Share Buy-Back is fair to the A Class shareholders of Property Fox.

6.2. Assessment of the Reasonableness of the Proposed Share Buy-Back

As we have concluded that the Proposed Share Buy-Back is fair we also conclude that it is reasonable. Notwithstanding this conclusion, we have also assessed that the advantages of the Proposed Share Buy-Back to the A Class shareholders outweigh the disadvantages. Advantages and disadvantages identified are as follows:

Advantages for the A Class Shareholders

Premium to Current Quoted Price

Under the Proposed Share Buy-Back, A Class shareholders are able to dispose of up to 40% of their shareholding at a 289% premium to the current quoted market price of A Class Shares as last traded on the NSX of \$0.19 per share on 17 October 2008. A Class Shares have been relatively thinly traded in the six months preceding the Proposed Share Buy-Back. The Proposed Share Buy-Back offers an alternative to shareholders considering the disposal of their A Class Shares of Property Fox in an otherwise illiquid market.

Cash Provided to Shareholders

The Proposed Share Buy-Back will return cash to A Class shareholders for up to 40% of each shareholder's holding. The management of the Company has determined that the best use of surplus cash reserves is to return a proportion of the cash to shareholders.

The Proposed Share Buy-Back represents an alternative method for the disposal of a proportion of each A Class shareholder's holding for cash consideration. The Proposed Share Buy-Back will allow A Class shareholders to use the cash returned to them in a manner best suited to their individual circumstances.

Premium to Recent Genuine Offers Received

The consideration offered under the Proposed Share Buy-Back represents a greater return to shareholders than the valuation of other recent genuine offers received from Pritchard and Primrose.

Under the Proposed Share Buy-Back, A Class shareholders will receive \$0.55 cash per share for up to a maximum of 40% of each individual shareholder's holding. In addition to receiving \$0.55 cash per share, A Class shareholders will continue to participate in the operations of Property Fox to the extent of each shareholder's remaining holding.

Disadvantages for the A Class Shareholders

Use of Cash Funds

The total maximum consideration of \$992,860 to be paid to A Class shareholders under the Proposed Share Buy-Back will be funded out of the cash reserves of Property Fox.

The use of these cash reserves to pay the consideration of the Proposed Share Buy-Back may restrict the Company from pursuing alternative investment opportunities in the future which have the potential of increasing shareholder value.

Diminution of Voting Power

If successful, the Proposed Share Buy-Back will result in a diminution of the voting power currently held by the A Class shareholders of Property Fox.

Below is a comparison of the voting power currently held by the A Class shareholders of Property Fox and the voting power those A Class shareholders will subsequently hold should the Proposed Share Buy-Back be fully accepted.

	Before			After		
	No. Of Shares	Voting Entitlement	%	No. Of Shares	Voting Entitlement	%
A Class shareholders	4,513,001	4,513,001	78.31%	2,707,801	2,707,801	68.42%
Ordinary shareholders	1,250,000	1,250,000	21.69%	1,250,000	1,250,000	31.58%
Total	5,763,001	5,763,001	100.00%	3,957,801	3,957,801	100.00%

As can be seen from the above comparison, should the Proposed Share Buy-Back be fully accepted, A Class shareholders of Property Fox will go from holding 78.31% of the voting shares to holding a 68.42% of the voting shares of Property Fox.

Proposed Share Buy-Back for Only a Proportion of Shares Held

The Proposed Share Buy-Back only relates to a maximum of 40% of each shareholder's holding of A Class Shares in Property Fox. In contrast, the two recent offers received for the A Class Shares of Property Fox relate to the acquisition of 100% of each shareholder's holding, which provides A Class shareholders an opportunity to divest all of their interests in Property Fox.

Implication to Non-Associated Shareholders if the Proposed Share Buy-Back is Not Accepted

We have considered some of the implications to A Class shareholders of Property Fox if the Proposed Share Buy-Back is not accepted as detailed below:

- A Class shareholders will not benefit from the premium paid on the disposal of a proportion of each shareholder's shares over the current quoted price of A Class Shares on the NSX if the Proposed Share Buy-Back is not accepted.
- A Class shareholders will not benefit from a cash return on a proportion of each shareholder's holding if the Proposed Share Buy-Back is not accepted.
- A Class shareholders will not benefit from realising a higher value on the disposal of a proportion of each shareholder's shares than if the recent genuine offers received for the acquisition of A Class Shares were accepted.
- A Class shareholders will continue to benefit from the cash funds held by Property Fox and will participate in any future opportunities the Company pursues through investment of the Company's cash assets.
- Voting power currently held by A Class shareholders will not be diminished.
- A Class shareholders will be able to dispose 100% of their interests in Property Fox through acceptance of one of the other offers currently available to shareholders.

6.3. Conclusion in Relation to the Proposed Share Buy-Back

After giving consideration to the above advantages and disadvantages we consider that the Proposed Share Buy-Back as set out in section 1 is **fair and reasonable** to the A Class shareholders of Property Fox.

7. Appendices

7.1. Appendix A – Abbreviations and Definitions

Term	Definition
A Class Shares	A Class shares of Property Fox (NSX Code: PFAA)
ASIC	The Australian Securities and Investments Commission
ASX	The Australian Securities Exchange Limited ABN 98 008 624 691
Company	Property Fox No. 1 Limited ABN 97 101 816 353
Corporations Act	The Corporations Act 2001
CPA	Certified Practising Accountant
DCF	Discounted Cash Flow
Director	A Director of Property Fox No. 1 Limited at the date of this Report
Fairfield Portfolio	The investment of Property Fox at 38 Vine Street, Fairfield NSW
FSG	Financial Services Guide
IPO	Initial Public Offering
Notice of Meeting	Property Fox Notice of Meeting which accompanies this Report
NSX	National Stock Exchange of Australia NSX Limited ABN 33 089 447 058
Primrose	Primrose Capital Management Pty Limited ACN 134 211 724
Pritchard	Pritchard Equity Limited ABN 80 100 517 404
Property Fox	Property Fox No. 1 Limited ABN 97 101 816 353
Proposed Share Buy-Back	The equal access share buy-back proposed by Property Fox for up to 45% of each A Class shareholder's holding at \$0.55 per share.
Report or Independent Expert Report	This document prepared by William Buck dated 22 December 2008
Toowoomba Portfolio	The investment of Property Fox at Healy & Ruthven Streets, Toowoomba QLD
William Buck	William Buck Corporate Advisory Services Pty Ltd ABN 50 133 845 637 Authorised Representative of William Buck Financial Services (NSW) Pty Ltd (Licence No: 240769)

7.2. Appendix B – Qualifications and Declarations

Qualification

William Buck has extensive experience in the provision of corporate finance advice, particularly with respect to mergers and acquisitions.

William Buck is an Authorised Representative of William Buck Financial Services (NSW) Pty Ltd which holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

The individual responsible for the preparation of this Report is Mrs Manda Trautwein.

Manda Trautwein is a director of William Buck and an active Member of the Institute of Chartered Accountants and its Forensic Accounting and Business Valuation Special Interest Groups. She holds a Bachelor of Commerce degree and a Master of Applied Finance degree from Macquarie University and a Master of Applied Taxation degree from the University of New South Wales. Manda has played a key role in a number of corporate advisory projects including valuations of shares and businesses for a variety of applications.

Declarations

The statements contained in this Report are given in good faith and have been derived from information believed to be reliable and accurate. We have examined this information and have no reason to believe that any material factors have been withheld from us.

During the course of this engagement, William Buck provided draft copies of this Report to Property Fox for comment as to factual accuracy, as opposed to opinions, which are the responsibility of William Buck alone. Changes made to this Report as a result of these reviews have not changed the opinion reached by William Buck.

Interests

William Buck and its related entities do not have at the date of this Report, and have not had any shareholding in or other relationship with Property Fox that could reasonably be regarded as capable of affecting our ability to provide an unbiased opinion in relation to the Proposed Share Buy-Back.

William Buck (NSW) Pty Limited has provided taxation advice to Property Fox in relation to the effect of the Proposed Share Buy-Back on the A Class shareholders of Property Fox. Manda Trautwein, a director of William Buck, is also a director of VMC Global Pty Limited, which prepared an independent expert report on behalf of the Directors of Property Fox dated 1 October 2008. William Buck has also been engaged to provide an independent expert report in relation to the off-market bid by Primrose Capital Management Pty Limited announced on 1 December 2008.

William Buck had no part in the formulation of the Proposed Share Buy-Back. Except as noted above, its only role has been the preparation of this Report.

William Buck is entitled to receive a fee for the preparation of this Report of up to \$18,000 plus GST. Except for this fee, William Buck has not received and will not receive any pecuniary or other benefit, whether direct or indirect, for or in connection, with the preparation of this Report.

Prior to accepting this engagement William Buck considered its independence with respect to Property Fox and any of its associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". William Buck considers itself to be independent.

7.3. Appendix C – Sources of Information

In preparing this Independent Expert Report, William Buck has been provided with and has considered the following sources of information:

- a) Management Accounts of Property Fox for the period 1 July 2008 to 30 November 2008
- b) Annual Report of Property Fox for the years ended 30 June 2006, 2007 and 2008
- c) Shareholder register of Property Fox as at 4 December 2008
- d) Property Fox notice of meeting dated 29 October 2008
- e) Property Fox draft Notice of Meeting dated 16 December 2008
- f) Property Fox Constitution
- g) Management Accounts of Fox Riverside Pty Limited for the year ended 30 June 2008
- h) Management Accounts of the joint venture between Fox Riverside Pty Limited and Freeman Fox Investments for the year ended 30 June 2008
- i) Annual Report of Property Fox No. 2 for the year ended 30 June 2008
- j) Various enquiries with the management of Property Fox
- k) Information available on the corporate website of Property Fox, accessed December 2008, <http://www.propertyfoxno1.com.au>
- l) Publicly available information regarding Property Fox
- m) IBISWorld Industry Report 'Residential Property Operators and Developers in Australia', 2 December 2008
- n) Wayne Loneragan, 'The Valuation of Businesses, Shares and Other Equity', 4th Edition, Allen & Unwin 2003

7.4. Appendix D – Overview of Valuation Methodologies

Discounted Cash Flow (DCF) Method

The DCF approach is technically a superior methodology since it allows for fluctuations in future performance to be recognised. This methodology derives the enterprise value of an entity by discounting its expected future cash flows.

In applying the DCF valuation methodology consideration must be given to the following factors:

- The estimated future cash flows of the business for a reasonable period including an assessment of the underlying assumptions;
- An estimate of the terminal value of the business at the end of the forecast period; and
- The assessment of an appropriate discount rate that quantifies the risk inherent in the business and reflects the expected return which investors can obtain from investments having equivalent risks.

Capitalisation of Estimated Future Maintainable Earnings

The capitalisation of estimated future maintainable earnings method is useful as a primary valuation technique where the DCF methodology can not be used. This method derives the equity value of an entity and requires consideration of the following factors:

- Selection of an appropriate level of estimated future maintainable earnings having regard to historical and forecast operating results, and adjusting for non-recurring or non-business items of income and expenditure in addition to any known factors likely to affect the future operating performance of the business;
- Profits arising from the assets surplus to the operation of the sustainable business are eliminated and the assets, net of any liabilities relating thereto, treated incrementally; and
- Determination of an appropriate capitalisation multiple having regard to the market rating of comparable companies or businesses, the extent and nature of competition in the industry, quality of earnings, future growth opportunities, asset backing and relative investment risk.

Orderly Realisation of Assets

The orderly realisation of assets valuation methodology takes into account the estimated value of the net assets on a going concern basis. It is normally used as a secondary valuation method to derive the equity value of an entity and as a basis for determining the level of goodwill implied in DCF and capitalisation of estimated future maintainable earnings valuations.

The orderly realisation of assets approach is usually used as the primary valuation technique where businesses are not currently making a profit but may do so in the future,

or where the capitalisation of estimated future maintainable earnings or discounted cash flow methodologies yield a lower value than that of the net assets.

Quoted Market Price

The quoted market price method requires an analysis of the quoted price of listed securities, where there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale.

This valuation method is suitable where the quoted price of a listed entity's securities is closely related to the underlying value of the net assets of the entity.

Genuine Offers

This method requires the consideration of any recent genuine offers received by the target for any shares, business units or assets as a basis for the valuation of those shares, business units or assets.