

30th December 2008

Company Announcements Office
National Stock Exchange of Australia Limited
Level 2,
117 Scott Street
Newcastle NSW 2300

BY E-LODGE MENT

RE: LODGEMENT OF TARGET'S STATEMENT

Property Fox No.1 Limited's Target's Statement dated 30th December 2008 in relation to the off- market takeover bid by Primrose Capital Management Pty Ltd is attached in accordance with Item 14 of section 633(1) of the Corporations Act 2001 (Cth).

A copy of this Target's Statement has been lodged with the Australian Securities and Investments Commission today and is being dispatched to Property Fox No.1 Limited shareholders today.

Shareholders should contact the company on 07 3031 9950 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.

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.

Target Statement by Property Fox No. 1 Limited

ABN 97 101 816 353

REJECT

Dated 30th December 2008

The Directors of Property Fox No.1 Limited unanimously recommend that shareholders REJECT the Offer from Primrose Capital Management Pty Ltd

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



Important notice

This Target's Statement dated 30th December 2008 is given by Property Fox No.1 Pty Ltd ABN 97 101 816 353 (PF1) under Part 6.5 of the Corporations Act in response to the Offer made by Primrose Capital Management Pty Ltd ACN 134 211 724 (Primrose) for all the PF1 A Class Shares pursuant to the Bidder's Statement announced to the NSX and lodged with ASIC on 1st December 2008 and dated 15th December 2008 and in relation to a Supplementary Bidder's statement dated 15th December 2008. PF1 Shareholders should read this Target's Statement in its entirety.

Defined Terms

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

No account of personal circumstances

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

Disclaimer regarding forward looking statements

This Target's Statement contains forward looking statements. PF1 Shareholders should be aware that such circumstances are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which PF1 operates as well as general economic conditions and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. None of PF1, its Directors, any of its officers, any person named in this Target's Statement with their consent, or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. PF1 Shareholders are cautioned not to place undue reliance on those statements. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. Pursuant to s643 (1) (c) of the Corporations Act, the Directors of PF1 will disclose any new circumstance which arising from the date of lodgement of this Target's Statement. The risk factors in relation to PF1 are set out in Section 5 of this Target's Statement.

ASIC and NSX disclaimer

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

PF1 Shareholder Information Line

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

Key Dates

Date of Primrose's Offer	15 th December 2008
Date of this Target's Statement	30 th December 2008
Closing Date of Primrose's Offer (unless extended or withdrawn)	3.00pm on 16 th January 2009

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Dear Fellow Shareholder,

REJECT Primrose Capital's INADEQUATE AND OPPORTUNISTIC OFFER

You recently received from Primrose Capital an unsolicited Offer to acquire your PF1 Shares.

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

There are 7 key reasons why you should **REJECT** Primrose Capital's inadequate Offer:

- 1 The **Independent Expert** has determined the bid is **NOT** fair but reasonable;
- 2 The cash being offered is a **significant** discount to the value of your PF1 shares.
- 3 **There is no premium being offered to the value of your PF1 shares.**
- 4 **Primrose is attempting to acquire PF1's property assets for effectively no consideration.**
- 5 **The Directors are proposing to return to you the equivalent of 22 cents per A Class share through a buy-back of 40% of your A Class shares at 55 cents per share.** This cash would be in your hands, and you could invest it any way you like. In addition you would still share in any potential capital growth from existing investments because you will still hold 60% of your shares. Therefore, Shareholders should consider carefully the Notice of Extraordinary General meeting lodged with NSX and ASIC on 23rd December 2008, which will be forwarded to Shareholders on 5th January 2009.
NB The offer being made by Primrose is only 8 cents per share more for your **entire** holding.
- 6 **The Assets of the Company are worth 83.3% more than being offered.**
- 7 Primrose Capital's Offer is **highly** conditional.

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

This Target's Statement sets out the full reasons supporting your Directors' unanimous recommendation to REJECT Primrose Capital's Offer.

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

Yours Sincerely



Peter Spann
Chairman

2. Reasons why you should REJECT Primrose Capital's Offer

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

2.1 The Independent Expert has determined that the offer is NOT fair but reasonable

On behalf of Shareholders the Board of PF1 has engaged the services of William Buck Corporate Advisory Services (NSW) Pty Ltd to provide an independent expert opinion as to whether or not, in their view, the offer is fair and reasonable to the A Class Shareholders of PF1.

The Independent Expert has determined that the bid is not fair but reasonable. Shareholders should read the report which is included at Section 8 of this Target's Statement.

2.2 The cash being offered is a significant discount to the value of your PF1 shares.

The cash being offered is \$0.30 per share. The Independent Expert has determined that the cash being offered is not fair but reasonable. They have reached that view based on their assessment of value of PF1 A Class shares, at \$0.55 per A Class share. Please refer to page 29 of the Independent Expert's Report which is included in Section 8 of this Target's Statement.

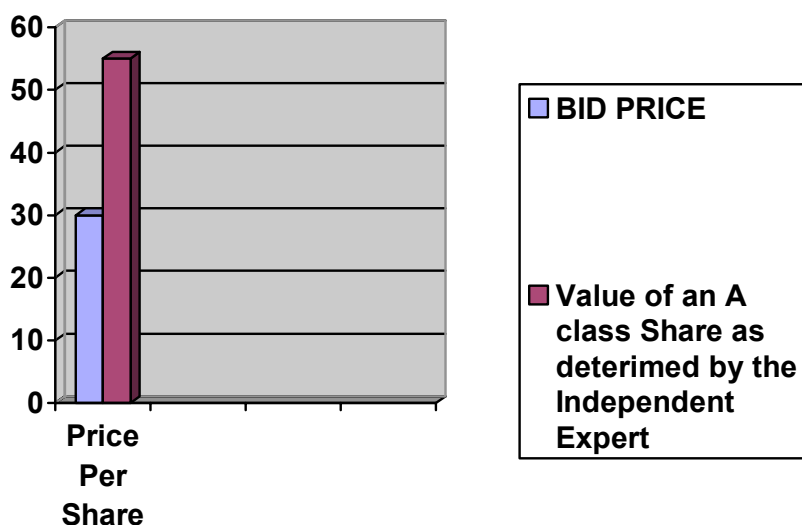
2.3 There is NO premium being offered, to the value of your PF1 shares.

Primrose has offered \$0.30 for each of your A Class shares. Often, Bidders offer to purchase shares in a company at a premium. Primrose has indicated, in its letter to Shareholders, that Primrose believes their offer of \$0.30 per share represents a 63.33% premium to the last traded price of the Company's securities on NSX. The Directors believe that there is no premium attached to the offer from Primrose as the Independent Expert has determined that a PF1 A Class share is worth \$0.55.

2.4 Primrose is attempting to purchase PF1's property assets for no consideration.

If Shareholders accept the Bid by Primrose the total consideration paid by Primrose will be \$1,353,900.30. As at 12th December 2008 the unaudited management accounts (disclosed in Section 5 of this Target's Statement) show that the Company had **MORE** than this amount in cash. Furthermore, and in addition to the cash holdings PF1 holds 4 residential units in Fairfield and a 30% interest in the properties held at Healey and Ruthven Streets, Toowoomba. These assets together have been assessed by the Independent Expert to determine that the value of an A Class share is \$0.55. Essentially, the Directors believe this is tantamount to Primrose attempting to purchase PF1's property assets for no consideration.

The following graph illustrates the difference between the Primrose bid and the value of the A Class shares as determined by the Independent Expert.



2.5 The Directors are proposing to return to you 73.33% of the Primrose consideration for just 40% of your A Class shareholding.

As announced to the market on 23rd December 2008 the Board of PF1 is asking Shareholders, on 5 February 2009, to approve an ordinary resolution distributing up to \$992,860 back to A Class Shareholders. This is \$0.55 per share for 40% of all A Class Shareholders holding in PF1 or equivalent to \$0.22 per A Class share. Therefore, Shareholders are able to vote in favour of the equal access buy-back at the Extraordinary General Meeting of Shareholders scheduled to occur on 5 February 2009. If Shareholders approve the buy-back then, shortly thereafter, Shareholders will be able to accept the offer of the Company to buy-back up to 40% of each Shareholder's holding at a price of \$0.55 per A Class share and receive a cash distribution equivalent to \$0.22 per A Class share and still be left with 60% of their holding valued by the independent expert at \$0.55 per A Class share. For more information regarding the buy-back please consult the Notice of Meeting lodged with NSX on 23rd December 2008.

2.6 The Assets of the Company are worth 83.33% more than being offered

As stated in the Independent Expert's Report, contained in section 8 of this Target's Statement, the Independent Expert has determined that the value of the A Class shares are \$0.55 per share (not including the ordinary shares on issue). As Primrose is not offering to purchase the ordinary shares, and they have no rights on distribution of capital, it is important to exclude them from calculation.

The price being offered to each A Class shareholder is \$0.30 per share. This is an 83.33% discount to the value. Based on the Independent Expert's assessment of value, the A Class shares of PF1 are worth 83.33% more than the consideration being offered to you by Primrose.

The Independent Expert has obtained valuations on the property assets of the Company, the details of which are referred to in the IER.

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

The Directors of PF1 are confident with the values attributed to the assets of the Company. The directors are also cautiously optimistic about the assets of the Company having a reasonable chance of upside if market conditions improve.

2.7 Primrose Capital's Offer is highly conditional.

Primrose Capital's offer is highly conditional and is subject to a number of conditions. These conditions are fully described in Appendix 2 of the Bidder's Statement. The Director's of PF1 offer the following information relating to the conditions listed in Appendix 2 of the Bidder's statement.

Primrose Capital's 90% minimum acceptance provision.

Based on the fact that the Independent Expert has determined that the offer by Primrose is not fair but reasonable, the Director's of PF1 believe that Primrose will be unlikely to acquire 90% of the A Class shares in PF1 as a result of Primrose's offer.

Primrose Capital's Cash Confirmation Request cannot be provided

Contained within Appendix 2 of Primrose's Bidder's statement is a condition that the Board of Property Fox No.1 Limited confirm, in this Target's Statement, that cash held by PF1 as at 16th January 2009 is either greater than:

- a) \$1,500,000 if the Tennyson Joint Venture has been wound up and PF1's share of that joint venture has been distributed to PF1; or
- b) \$1,300,000 if the Tennyson Joint Venture has not been wound up and PF1's share of the proceeds of that joint venture has not been distributed to PF1

As shown in the Financial Information at Section 5 of this Target's Statement, the unaudited accounts of the Company as at 12th December show that despite the fact that the Company has received a \$208,250 distribution, being the majority of its share in the Fox Riverside joint venture, the Directors of PF1 are unable to confirm either of the cash confirmations sought above as the cash held by PF1 will be lower than the amounts sought in the cash confirmation provision at Appendix 2 of the Bidder's Statement of Primrose.

No Dividends, distributions of redemptions

As Shareholders are aware on 23rd December 2008, the Directors of PF1 lodged with NSX and ASIC a Notice of Extraordinary General Meeting asking Shareholders to approve a resolution, which, if approved would provide for a buy-back of greater than 763,001 shares being the limit of shares indicated in the Bidder's Statement. It is the Directors intention that should this resolution be approved on 5th February 2009, the Directors will be seeking to implement the Shareholder mandated buy-back in accordance with the timetable advised in the Notice of Meeting sent to Shareholders on 23rd December 2008.

Other Conditions

- A confirmation of the liability position being made by the Property Fox Board in the Target's Statement
- No dividends, distributions or redemptions being made in respect of the Property Fox shares
- None of the, "prescribed occurrences" listed in Section 652C of the Corporations Act 2001 occurring during the offer period.

- No persons exercising rights under certain agreements or instruments after the announcement date and before the end of the offer period
- No material acquisitions, disposals or commitments occurring during the period from the announcement of the offer to the end of the offer period
- No event occurring, which has a material adverse effect on Property Fox including the value of the net tangible assets falling below \$2.25 million for at least five consecutive business days before the end of the offer period

3. Answers to Frequently Asked Questions

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

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

3.2 What should I do?

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

3.3 What do the Directors of PF1 recommend I do?

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

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

- 3.3.1 The Independent Expert has determined the bid is not **fair but reasonable** – the Directors of PF1 agree that the offer is not fair and on that basis recommend that Shareholders reject the offer;
- 3.3.2 The cash being offered is a significant discount to the value of your PF1 shares;
- 3.3.3 There is no premium being offered to the value of your PF1 shares;
- 3.3.4 Primrose is attempting to purchase PF1's property assets for effectively no consideration;
- 3.3.5 The Directors are proposing to give you almost the same consideration as Primrose is offering you for 40% of your shareholding;
- 3.3.6 The Assets of the Company are worth 83.33% more than being offered;
- 3.3.7 Primrose Capital's Offer is highly conditional.

3.4 What are the tax consequences of Primrose Capital's Offer?

Capital Gains tax rollover relief will not be available as Primrose Capital will not gain control of greater than 80% of the voting shares. See Section 7 of the Bidder's Statement for further details

3.5 Will I be forced to sell my PF1 Shares?

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

3.6 What choices do I have as a PF1 Shareholder?

As a PF1 Shareholder you will have the following choices:

- **REJECT** Primrose Capital 's Offer, in which case you do not need to take any action;
- Sell some or all of your PF1 Shares on market at any time, which may be at a higher or lower price than the value of your PF1 shares under Primrose Capital's Offer (\$0.30); or
- Accept Primrose Capital's Offer, in which case you should follow the instructions on the acceptance form sent to you with the Bidder's Statement. Once you have accepted you may not sell your PF1 shares on market or withdraw your acceptance other than in the circumstances mentioned in Section 7 of this Target's Statement.

Your Directors unanimously recommend that you REJECT the Primrose Capital Offer.

3.7 What is Primrose Capital offering for my PF1 Shares?

Primrose Capital is offering Consideration of \$0.30 per share for every Property Fox A Class Share.

3.8 What are the conditions of Primrose Capital 's Offer?

Primrose Capital's Offer is subject to the fulfillment (or in certain circumstances, the waiver by Primrose Capital) of certain conditions summarised in Section 7 of this Target's Statement and set out in Appendix 2 of the Bidder's Statement. These conditions include those summarised below:

- a) a 90% minimum acceptance condition;
- b) A confirmation of the cash position of Property Fox being made by the Property Fox Board in the Target's Statement;
- c) A confirmation of the liability position of Property Fox being made by the Property Fox Board in the Target's Statement;
- d) No dividends, distributions or redemptions being made in respect of the Property Fox shares;
- e) None of the, "prescribed occurrences" listed in Section 652C of the Corporations Act 2001 occurring during the offer period;

- f) No persons exercising rights under certain agreements or instruments after the announcement date and before the end of the offer period;
- g) No material acquisitions, disposals or commitments occurring during the period from the announcement of the offer to the end of the offer period;
- h) No event occurring, which has a material adverse effect on Property Fox including the value of the net tangible assets falling below \$2.25 million for at least five consecutive business days before the end of the offer period.*

***Above is a summary of certain conditions imposed by the bidder, Primrose Capital in relation to its takeover offer. For a full description of all the conditions of the offer Shareholders should read Appendix 2 of the Bidder's Statement at page 39 of the Bidder's Statement.**

3.9 What is a Bidder's Statement?

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

3.10 When would I receive my Offer consideration?

If you accept Primrose Capital's Offer, and Primrose Capital's Offer becomes unconditional, you will receive the Primrose Capital's consideration to which you are entitled to under the Offer by the earlier of:

- The 21st Day after the date of this Offer is validly accepted by you or, if this Offer is subject to a defeating condition when accepted, within 21 days after this Offer or the contract resulting from your acceptance of this Offer becomes unconditional; and
- 21 days after the end of the Offer Period.

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

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

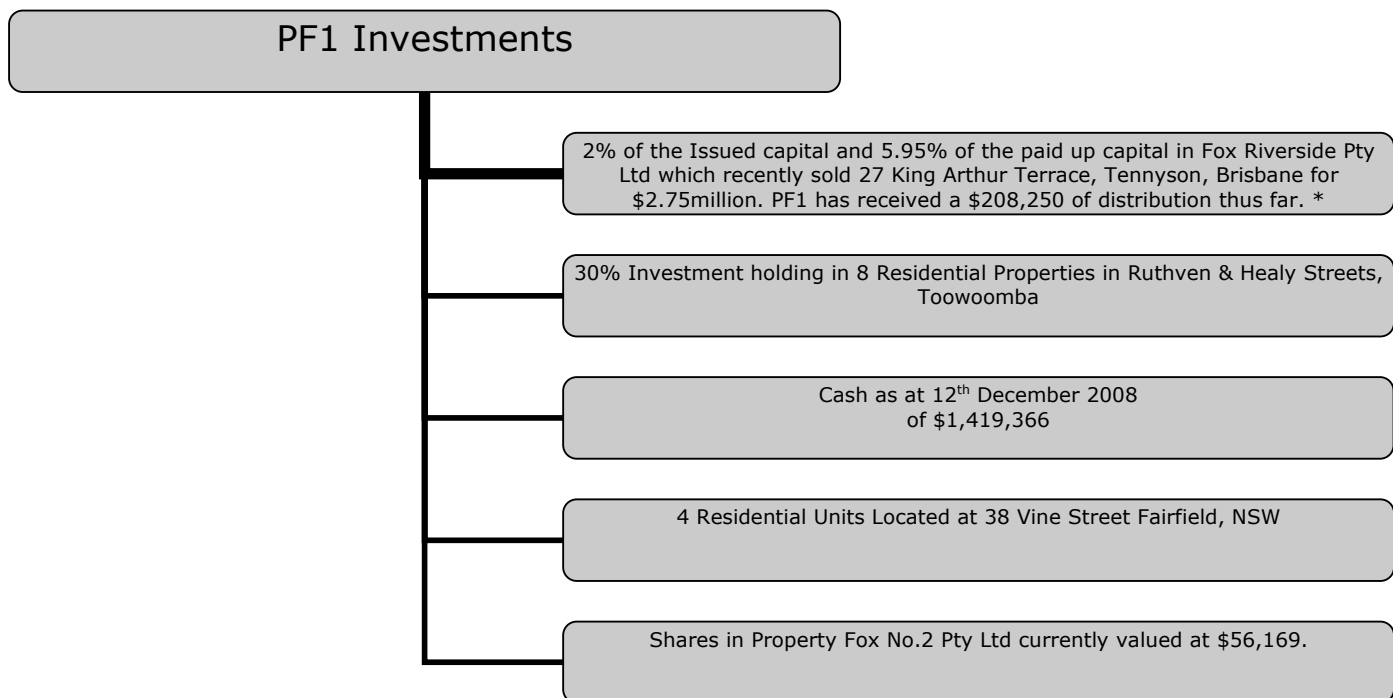
3.12 What happens if the conditions of Primrose Capital's Offer are satisfied or waived by the closing date?

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

4. Profile of PF1

4.1 Business overview

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



*** PFI IS ENTITLED TO RECEIVE A FURTHER \$8,500 (APPROXIMATELY) AT THE CONCLUISON OF THE JOINT VENTURE. THE AFOREMMENTIONED DISTRIBUTION OF \$208,250 HAS BEEN INCLUDED IN THE CASH FIGURES AS AT 12TH DECEMBER 2008 IN THE FINANCIAL SUMMARY IN SECTION 5.2**

4.2 Current Investments of Property Fox No. 1 Limited

Fox Riverside Pty Ltd

The Company owns 2% of the issued capital of Fox Riverside Pty Limited, which entitles it to 5.95% of the profit and capital distribution. Fox Riverside Pty Ltd is engaged in a property joint venture which has now sold all of its property holdings. The proceeds of the sales are now being distributed to the partners and Property Fox has already received an advance distribution of \$208,250. The final distribution from this joint venture, available for PF1, has not been finalised but it is likely to be approximately \$8,500.

Toowoomba Property Holding

The Company owns a 30% share in 8 contiguous properties comprising houses and flats in the central area of Toowoomba. The Independent Expert has obtained a valuation of these properties and the valuation is referred to on page 27 of the Independent Expert's Report. The Directors note that the valuation obtained with respect to the Toowoomba property holding shows an increase of \$146,244 to the carried value of this asset compared to the audited accounts as at 30th June 2008.

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

The building is in the process of conversion to strata title, and the Company is working with the body corporate to complete this as quickly as possible. The Independent Expert has procured valuations of these properties and the valuations are referred to on page 25 of the Independent Expert's Report. The Directors note that the valuation obtained with respect to the Fairfield property holding shows an increase of \$17,100 to the carried value of this asset compared to the audited accounts as at 30th June 2008.

Cash at Bank

As at 12th December 2008 the sum of \$1,419,366 was held by the Company with the major portion being in an interest bearing account with the National Australia Bank.

4.3 Directors of PF1

Information on Directors and Company Secretary

Peter John Spann—Executive Director and Managing Director.

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

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

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

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

Howard Woolcott - Executive Director

Howard has a Bachelor of Economics degree from the University of Sydney and is a Certified Practising Accountant (CPA).

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

Jodie Stainton - Executive Director

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

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

Andrew Whitten – Company Secretary

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

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

4.4 Management of PF1

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

Management Agreement- Material Terms

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

Property Fox terminates the agreement, under the following conditions:

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

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

Fox Portfolio Pty Ltd terminates the agreement under the following conditions:

Under the management agreement Fox Portfolio Pty Ltd. has the right to terminate the Management Agreement if:

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

5. PF1 Historical Financial Information

5.1 Introduction

This Section sets out, in summary form, certain key historical financial information for the period ended 30th June 2008 (audited) and 12th December 2008 (unaudited).

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

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

5.2 Financial Summary

Income Statement	30th June 2008 Audited \$	12th December 2008 (Unaudited) \$
Revenue	1,382,707	73,959
Cost of sales	1,170,000	-
Borrowing costs	39,989	24,970
Directors' fees	25,200	10,500
Professional fees	139,682	211,216
Company management fees	12,000	5,000
Impairment of assets	257,000	-
Other expenses	<u>97,394</u>	<u>50,828</u>
Net Loss	(358,558)	(228,555)
Loss per share including all shares on issue	6 cents	4 cents
Balance Sheet		
Cash and cash equivalents	1,427,875	1,419,366
Trade and other receivables	51,864	26,212
Inventories	1,293,111	1,293,111
Financial assets	<u>283,939</u>	<u>79,586</u>
Total Assets	3,056,789	2,818,275
Trade and other payables	38,615	37,156
Borrowings	<u>446,250</u>	<u>446,250</u>
Total Liabilities	484,865	483,406
Net Assets	2,571,924	2,334,869
Shareholders Capital		
Issued Capital	4,506,711*	4,506,711
Accumulated losses	<u>(1,934,787)</u>	<u>(2,171,842)</u>
Total Capital	2,571,924	2,334,869

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

The Company accounts for its inventories at the lower of cost or market value. The accounts do not show increases in the value of its properties when they occur. Valuations of the Toowoomba properties and Fairfield properties have been commissioned by the Independent Expert, however increases in values as a result of those have not been shown in the summary financial information shown above.

The above information is a summary only of the audited financial statements for the year ended 30th June 2008 and of the unaudited management accounts for the period ending 12th December 2008. For more information and/or copies of the audited annual financial statements of PF1 please contact the Company. The full audited financial statements are also available from the NSX website at www.nsx.com.au

5.3 No Forecasts

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

5.4 Key risks to the financial performance of the Company

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

5.4.1 Economic Conditions

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

5.4.2 Stock market fluctuations

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

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

5.4.3 Regulatory risks

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

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

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

5.4.4 PF1 Specific Risks

(i) Industry Risks

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

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

(ii) Increased or new competition

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

(iii) Property Investment specific risks

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

Significant risks and effects are listed below:

- Unexpected structural defects or building deficiencies being encountered resulting in unexpected expenses being incurred for repair or refurbishment;
- Increases in interest rates occurring resulting in the Company incurring increased holding expenses including additional interest on borrowings;
- Increases occurring in the cost of building materials and of labour resulting in increased cost of repairs and refurbishment;
- A downturn in the property market occurring (for reasons such as increases in interest rates, cyclical movement in the real estate market and depressed or unstable general economic conditions) resulting in delays being incurred in re-sale of properties and/or depressed prices being achieved on the re-sale of properties and/or the Company having to incur increased interest and other holding costs;
- Variations occurring in the real estate market between supply and demand causing adverse fluctuations in real estate prices;
- Management problems being experienced in relation to rent collection, disputes with building and other trade contractors and tenants' disputes;
- Changes being effected to laws relating to property development (including laws relating to zoning and town planning restrictions on land use, environmental controls, landlord and tenancy controls, user restrictions, stamp duty, land tax, income taxation and capital gains tax). These changes could adversely affect the profitability and viability of real estate development operations;
- Should town planning approval be required for any transaction then unexpected delays and increased holding costs may be encountered whilst the application is proceeding. It is possible that the approval will not be granted or will be granted on unfavourable terms;
- Improvements effected to property do not necessarily result in increases in value. Increases in value may not always occur at a steady rate or in line with expenditure on improvements;

- A purchase contract not being completed (either because of sellers' default or for any other reason) resulting in the Company losing the benefit of any repairs or refurbishment it may have undertaken and paid for in relation to the subject property and/or the Company entering into litigation with a defaulting seller and thereby incurring legal expenses;
- If as a result of any of the risk factors set out above or any other untoward circumstances the Company requires further funds in order to meet operational expenses including expenses associated with the holding and/or developing of any parcel or parcels of real estate acquired by it then the Company may, in the discretion of the directors:
 - undertake a further public capital raising,
 - borrow funds (or further funds) from a bank or other financial institution;
 - liquidate the Company
 Each of these actions could result in the value of your investment (shareholding) being diminished;
- Your shareholding will potentially diminish in value if properties acquired by the Company are unable to be sold in a timely manner at acceptable prices or if the Company is required to meet higher than expected interest charges on borrowings and other holding expenses;
- Timing of acquisitions and sales in the real estate property market in order to maximise profits and minimise losses on trading is extremely difficult, even for experienced professional investors. If the property market suffers a downturn during the course of the Company's trading operations then the Company may, in order to avoid or minimise losses, need to hold real estate acquisitions for longer periods than would otherwise apply;
- It is possible that moneys expended by the Company on real estate acquisitions and on repairs and refurbishment and on interest, holding and operational costs may exceed the proceeds of the sales.

(iv) Reliance on key personnel

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

(v) Industrial disputes

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

5.5 Additional relevant information

Transaction costs

PF1 currently expects the costs and expenses likely to be incurred in responding to Primrose Capital's Offer to be approximately \$32,000.00 (Ex GST), assuming Primrose Capital's Offer is unsuccessful and no new or revised offer is made. These costs are made up of the following:

- \$12,000 paid or payable to Whitens Lawyers and Consultants for legal's expenses in relation to this Target's Statement;

- \$18,000 paid or payable to William Buck Corporate Advisory Services (NSW) Pty Limited for provision of the Independent Expert's Report;
- \$2,000 in printing, mailing and distribution costs of this Target's Statement.

6. Interests of Directors

6.1 The Directors recommend that you reject Primrose Capital's Offer

Each of the Directors and the entire Board of PF1 has unanimously resolved to recommend to Shareholders that they **REJECT** Primrose Capital's Offer.

6.2 Interests of Directors in PF1 Shares

The number and description of PF1 Shares in which each of the Directors has a Relevant Interest is set out in the table below as at 24th December 2008 (the last practical date for making changes to this Target's Statement before it went to print).

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

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

6.3 Dealings by Directors in PF1 Shares

There have been no acquisitions or disposals of PF1 Shares by any Director in the four months ending on 24th December 2008 (the last practical date for making changes to this Target's Statement before it went to print). Any subsequent acquisitions or disposals by Directors will be announced to the NSX in accordance with legal requirements.

6.4 Interests and dealings in Primrose Capital securities

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

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

6.5 Conditional agreements

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

6.6 Interests in contracts with Primrose Capital

No Director has any interest in any contract entered into by Primrose Capital.

7. Important Information about Primrose Capital's Offer

7.1 Consideration

The consideration offered by Primrose Capital is \$0.30 for every Property Fox A Class Share.

7.2 Offer Period

The Offer Period closes at 3.00pm (AEST) on 16th January 2009 (unless extended or withdrawn).

7.3 Extension of the Offer Period

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

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

- (a) Primrose Capital improves the consideration under its Offer; or
- (b) Primrose Capital's voting power in PF1 increases to more than 50%.

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

7.4 Limited rights to withdraw your acceptance

You may only withdraw your acceptance of Primrose Capital's Offer if:

- (a) it is still subject to a defeating condition (this is broadly summarised in Section 7.6 of this Target's Statement); and
- (b) Primrose Capital's Offer is varied in a way that postpones, for more than one month, the time when Primrose Capital has to meet their obligations under their Offer.

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

7.5 Effect of accepting Primrose Capital's Offer

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

- (a) you will be unable to accept any higher takeover bid that may be made by a third party or any alternative transaction that may be recommended by the Directors; and
- (b) you will be unable to sell your PF1 Shares.

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

7.6 Offer conditions

PF1 Shareholders should note that Primrose Capital's Offer (and each contract resulting from acceptances of Primrose Capital's Offer) is subject to certain conditions, and that Primrose Capital's Offer will lapse unless the conditions are either satisfied or waived by Primrose Capital. These conditions are set out in full in Appendix 2 of the Bidder's Statement.

Some of these conditions are broadly summarised below:

- a) A 90% minimum acceptance condition;
- b) A confirmation of the cash position of Property Fox being made by the Property Fox Board in the Target's Statement;
- c) A confirmation of the liability position of Property Fox being made by the Property Fox Board in the Target's Statement;
- d) No dividends, distributions or redemptions being made in respect of the Property Fox shares
- e) None of the, "prescribed occurrences" listed in Section 652C of the Corporations Act 2001 occurring during the offer period;
- f) No persons exercising rights under certain agreements or instruments after the announcement date and before the end of the offer period;
- g) No material acquisitions, disposals or commitments occurring during the period from the announcement of the offer to the end of the offer period;
- h) No event occurring, which has a material adverse effect on Property Fox including the value of the net tangible assets falling below \$2.25 million for at least five consecutive business days before the end of the offer period.

7.7 Compulsory acquisition

Primrose Capital has stated in Section 4.3 of the Bidder's Statement that if it acquires a Relevant Interest in 90% or more of PF1 Shares, then subject to satisfaction or waiver of the other conditions of Primrose Capital's Offer, it intends to proceed with compulsory acquisition of the outstanding PF1 A Class Shares in accordance with the provisions of the Corporations Act.

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

(a) Follow-on compulsory acquisition

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

- has a Relevant Interest in at least 90% (by number) of the PF1 A Class Shares; and
- has acquired at least 75% (by number) of the PF1 A Class Shares for which it has made an Offer. If these thresholds are met, Primrose Capital will have one month from the end of the Offer Period within which to give compulsory acquisition notices to PF1 A Class

Shareholders who have not accepted Primrose Capital's Offer. The consideration payable by Primrose Capital will be the same amount per share that is payable under Primrose Capital's Offer.

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

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

(b) General compulsory acquisition

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

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

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

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

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

8. Independent Expert's Report

24 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 the off-market bid (the Offer) by Primrose Capital Management Pty Limited as Trustee for the Primrose Investment Trust (Primrose or the Bidder) to acquire all of the A Class Shares of Property Fox for cash consideration of \$0.30 per A Class Share.

The Offer is for 100% of the A Class Shares of Property Fox, with a minimum acceptance of 90% required.

Our Report has been prepared solely for the purpose of assisting the A Class shareholders of Property Fox in considering whether or not the off-market bid is fair and reasonable to them.

2. Summary of Opinion

2.1 Evaluation of the Proposed Transaction

In our opinion, the Offer is **not fair but reasonable** to the A Class shareholders of Property Fox.

Our principle reasons for reaching the above opinion are:

Assessment of the Fairness of the Offer

The valuation of A Class Shares in Property Fox under the Offer of \$0.30 per share provides a discount to the current valuation of the A Class Shares in the

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

order of \$0.55 per A Class Share. On this basis, we have determined that the Offer is not fair to the A Class shareholders of Property Fox.

Assessment of the Reasonableness of the Offer

Despite our conclusion that the Offer is not fair, ASIC Regulatory Guide 111 states that an offer may be 'reasonable' if the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

Accordingly, we have assessed that the advantages of the Offer to the A Class shareholders outweigh the disadvantages. A summary of the advantages and disadvantages identified is as follows:

Advantages

- Under the Offer, A Class shareholders are able to dispose of their shareholding in Property Fox at a 57.89% premium over the current quoted market price of A Class Shares as last traded on the NSX at \$0.19 per share on 17 October 2008.
- A Class Shares have been relatively thinly traded in the six months preceding the Offer. The Offer provides an alternative to shareholders considering the disposal of their A Class Shares of Property Fox in an otherwise illiquid market.
- The Offer presents an alternative method for the disposal of 100% of A Class shareholders' holdings for cash consideration. The Offer will enable A Class shareholders to use the cash returned to them in a manner best suited to their individual circumstances.

Disadvantages

- The cash consideration of \$0.30 per share under the Offer is substantially less than the \$0.55 per share cash consideration offered to A Class shareholders under the proposed share buy-back. Despite the proposed share buy-back only applying to 40% of each A Class shareholder's holding, the Offer presents a discount of \$0.25 per share for the relevant 40% of each A Class shareholder's shares.
- The cash consideration of \$0.30 per share under the Offer is 14% to 30% lower than the valuation of the revised offer from Pritchard for the A Class Shares of Property Fox which has been determined to fall within the range of \$0.35 to \$0.39 per A Class Share.

Implications If the Offer Is Not Accepted

- A Class shareholders will not benefit from the premium being offered by Primrose over the current quoted price of A Class Shares as last traded on the NSX.
- A Class shareholders will not benefit from an opportunity to dispose of their A Class Shares in an otherwise illiquid market.

- A Class shareholders will not benefit from an opportunity to realise 100% of their shares for cash.
- A Class shareholders will be able to participate in the share buy-back proposed by Property Fox under which the Company offered to buy-back up to 40% of each shareholder's holding for \$0.55 per A Class Share.
- A Class shareholders will be able to participate in the takeover bid announced by Pritchard for scrip consideration in the company together with cash consideration of \$0.05 per A Class Share.

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 needs of the individual A Class shareholders. It is neither practical nor possible to assess the implications of the Offer 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 Offer 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 Offer 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

Off-Market Takeover Bid by Primrose Capital Management Pty Limited

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 24 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 Offer

1.1. Summary of the Offer

On 1 December 2008, Primrose Capital Management Pty Limited as trustee for the Primrose Investment Trust (Primrose or the Bidder) lodged a Bidder's Statement with the Australian Securities and Investments Commission (ASIC) in relation to an off-market bid (the Offer) to acquire 100% of the A Class Shares of Property Fox No. 1 Limited (Property Fox, the Company or the Target).

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 Offer, A Class shareholders will receive cash consideration of \$0.30 per A Class Share held.

1.2. Conditions of the Offer

The Offer is subject to the following conditions as set out in the Bidder's Statement:

- 90% minimum acceptance
- A confirmation of the cash position of Property Fox being made by the Property Fox Board in the Target's statement
- A confirmation of the liability position of Property Fox being made by the Property Fox Board in the Target's statement
- No dividends, distributions or redemptions being made with respect to the Property Fox shares
- None of the "prescribed occurrences" listed in section 652C of the *Corporations Act 2001* occurring during the Offer period
- No material acquisitions, disposals or commitments occurring during the period from the announcement of the Offer to the end of the Offer period
- No persons exercising rights under certain agreements or instruments after the announcement date and before the end of the Offer period
- No event occurring, which has a material adverse effect on Property Fox, including the value of the net tangible assets of Property Fox falling below \$2.25 million for at least five consecutive business days before the end of the Offer period.

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 Offer by Primrose. The sole purpose of this Report is to set out William Buck's opinion as to whether the Offer 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 Offer. Shareholders should seek their own independent professional advice to assist them in their decision, taking into account their preferences and expectations

2.2. 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 Offer 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 offer is accepted, with the advantages and disadvantages to those shareholders if it is not
- Compare the value of the shares and the value of offer price to be paid

Furthermore, ASIC Regulatory Guide 111 treats "fair" and "reasonable" as two distinct criteria. The offer 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 offer. The offer 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 offer in the absence of any higher bid before the close of the offer.

2.3. Factors Considered in Determining our Opinion

In our opinion, the most appropriate basis on which to evaluate the Offer 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 transaction.

In forming our opinion as to whether the Offer 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 Offer is accepted
- The advantages and disadvantages to the A Class shareholders of Property Fox if the Offer is not accepted.

2.4. 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.

2.5. 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 buybacks 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 comprised 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 also 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. Profile of Primrose Capital Management Pty Limited

4.1. Background

Primrose is the trustee for the Primrose Investment Trust.

Primrose is a special purpose entity, incorporated on 17 November 2008 for the sole purpose of making an Offer to the A Class shareholders of Property Fox.

4.2. Board & Management

Primrose is managed by two directors, Mr Andrew Perry and Ms Nicola Buley. Both directors are unit holders of the Primrose Investment Trust together with Mr Jonathan Broughton. All of the members are solicitors and private investors based in Australia and the United Kingdom.

The Board of Primrose is independent of Property Fox and entities associated with Property Fox.

4.3. Capital Structure

As at the date of this Report, Primrose had 12 fully paid ordinary shares on issue. Mr Andrew Perry owns 100% of the issued capital of Primrose.

5. 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.

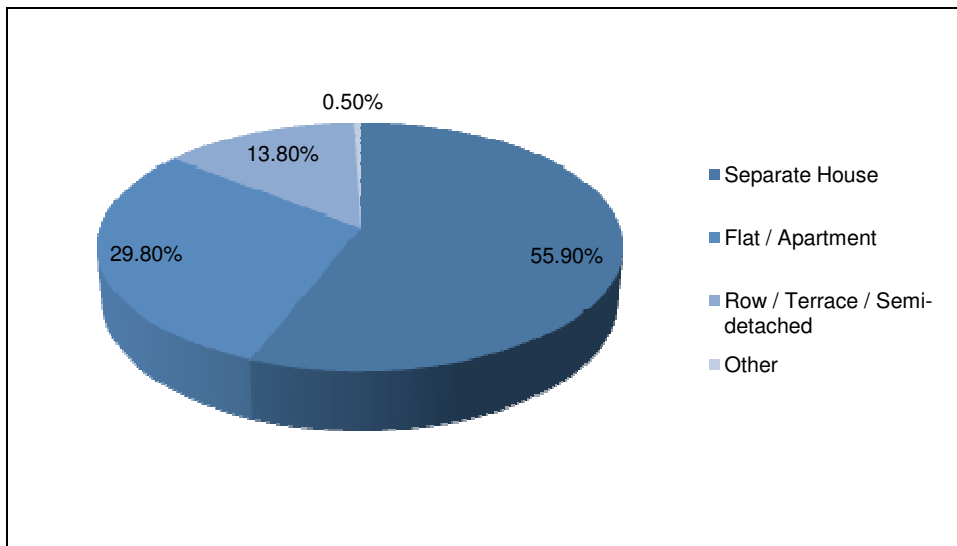
Segmentation

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.

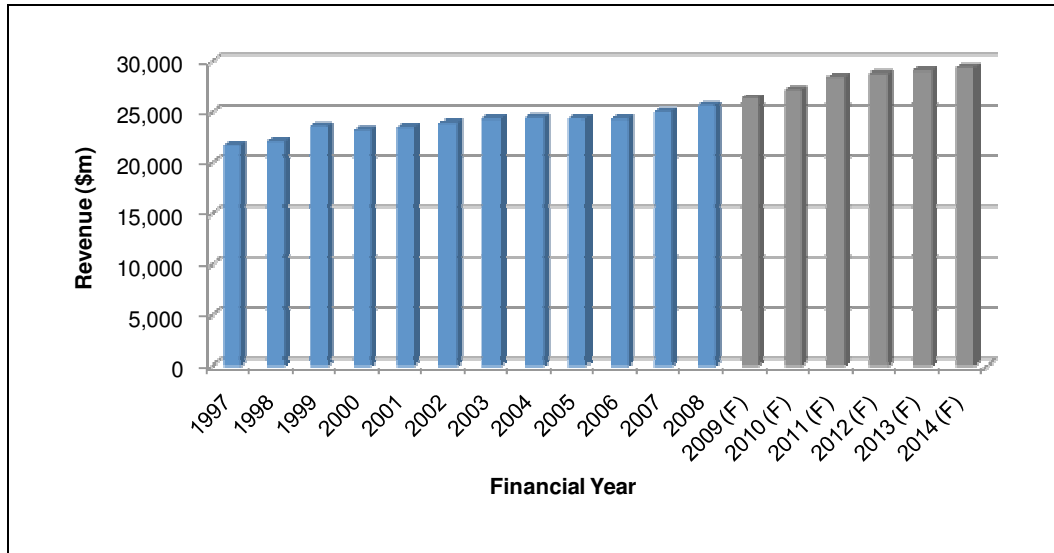
An understanding of the market is critical in this industry. Competitors must pay attention to key indicators for demand levels in the market such as mortgage rates, housing affordability, population growth rate and residential property yields. The ability to identify cyclical trends in the industry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

6. 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.

6.1. 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 Offer, 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 23 December 2008, the Directors of Property Fox announced a proposed share buy-back to acquire up to 40% of each of the A Class shareholder's holding in Property Fox. Total consideration was offered in cash at \$0.55 per share. The proposed share buy-back is subject to shareholders' approval at an extraordinary general meeting.

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 the recent genuine offers received by the shareholders provide an appropriate method for determining a secondary valuation of the Company's A Class Shares.

6.2. 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.

Pro Forma Balance Sheets

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

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:

- Cash and cash equivalents have been adjusted for the following:
 - 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
- 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
- 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 included a total uplift in the amount of \$163,344 to the written down value of inventories as at 30 November 2008.

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.

6.3. 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 in the form of a takeover bid

from an unrelated party and a proposed share buy-back announced by the Directors of Property Fox.

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 made unconditional and has 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).

Pritchard announced on 26 November 2008 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 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).

Proposed Share Buy-back

On 23 December 2008, Property Fox announced its intention to conduct an equal access share buy-back of a proportion of the Company's A Class Shares.

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.

The consideration under the offer equals \$0.55 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 \$0.55 per A Class Share, which is approximately 0% to 45% below our valuation calculated under the orderly realisation of assets valuation method of \$0.55.

6.4. 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 represents 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.

7. Valuation of the Offer Price

Primrose lodged a Bidder's Statement with ASIC on 1 December 2008 in relation to the Offer to acquire 100% of the A Class Shares of Property Fox. Under the Offer, A Class shareholders will receive cash consideration of \$0.30 per A Class Share held.

On this basis, we have determined that the valuation of the Offer price equals \$0.30 per A Class Share.

8. Evaluation of the Offer

8.1. Assessment of Fairness of the Offer

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. This comparison should be made assuming 100% ownership of the target, irrespective of whether the consideration is scrip or cash.

Under the Offer, A Class shareholders will receive \$0.30 cash consideration per share. We have determined that the Offer represents a valuation of \$0.30 per A Class Share.

The Offer provides a discount to the current valuation of the A Class Shares of \$0.55 per A Class Share.

On this basis, William Buck has determined that the Offer is not fair to the A Class shareholders of Property Fox.

8.2. Assessment of Reasonableness of the Offer

Despite our conclusion that the Offer is not fair, ASIC Regulatory Guide 111 states that an offer may be 'reasonable' if the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

Accordingly, we have assessed that the advantages of the Offer 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 Offer, A Class shareholders are able to dispose of their shareholding in Property Fox at a 57.89% premium over the current quoted market price of A Class Shares as last traded on the NSX of \$0.19 per share on 17 October 2008.

Opportunity to Dispose of Otherwise Illiquid Shares

A Class Shares have been relatively thinly traded in the six months preceding the Offer. The Offer provides 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 Offer presents an alternative method for the disposal of 100% of A Class shareholders' holdings for cash consideration. The Offer will enable A Class

shareholders to use the cash returned to them in a manner best suited to their individual circumstances.

The Offer of cash consideration may be better suited to individual shareholders' circumstances compared with the alternative takeover bid received by A Class shareholders from Pritchard which comprises 100% scrip consideration in Pritchard.

Disadvantages for the A Class Shareholders

Discount to Proposed Share Buy-Back Price

The cash consideration of \$0.30 per share under the Offer is substantially less than the \$0.55 per share cash consideration offered to A Class shareholders under the proposed share buy-back. Despite the proposed share buy-back only applying to 40% of each A Class shareholder's holding, the Offer presents a discount of \$0.25 per share for the relevant 40% of each A Class shareholder's shares.

Discount to Pritchard Offer

The cash consideration of \$0.30 per share under the Offer is 14% to 30% lower than the valuation of the revised offer from Pritchard for the A Class Shares of Property Fox which has been determined to fall within the range of \$0.35 to \$0.39 per A Class Share (refer to section 6.3 for further information).

Implications to A Class Shareholders If the Offer Is Not Accepted

We have considered some of the implications to A Class shareholders of Property Fox if the Offer is not accepted as detailed below:

- A Class shareholders will not benefit from the premium being offered by Primrose over the current quoted price of A Class Shares as last traded on the NSX.
- A Class shareholders will not benefit from an opportunity to dispose of their A Class Shares in an otherwise illiquid market.
- A Class shareholders will not benefit from an opportunity to realise 100% of their shares for cash consideration.
- A Class shareholders will be able to participate in the share buy-back proposed by Property Fox under which the Company offered to buy-back up to 40% of each shareholder's holding for \$0.55 per A Class Share.
- A Class shareholders will be able to participate in the takeover bid announced by Pritchard for scrip consideration in the company and cash consideration of \$0.05 per A Class Share.

8.3. Conclusion in Relation to the Offer

After giving consideration to the above advantages and disadvantages we consider that the Offer as set out in section 1 is **not fair but reasonable** to the A Class shareholders of Property Fox.

9. Appendices

9.1. 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
Bidder	Primrose Capital Management Pty Limited ACN 134 211 724 As Trustee for the Primrose Investment Trust
Bidder's Statement	The Bidder's Statement for Property Fox prepared by Primrose, dated 1 December 2008
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 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
NSX	National Stock Exchange of Australia NSX Limited ABN 33 089 447 058
Offer	The offer made by Primrose to acquire the issued capital of Property Fox as set out in the Bidder's Statement
Pritchard	Pritchard Equity Limited ABN 80 100 517 404
Primrose	Primrose Capital Management Pty Limited ACN 134 211 724 As Trustee for the Primrose Investment Trust
Property Fox	Property Fox No. 1 Limited ABN 97 101 816 353
Related Party	Has the meaning as provided in the Corporations Act
Report or Independent Expert Report	This document prepared by William Buck dated 24 December 2008
Target	Property Fox No. 1 Limited ABN 97 101 816 353

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)

9.2. 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 Offer.

William Buck has been engaged to provide an independent expert report in relation to a proposed equal-access share buy-back of a proportion of the Company's A Class Shares announced on 23 December 2008. 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 had no part in the formulation of the Offer. 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 \$12,000 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.

9.3. 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) Primrose Bidder's Statement, 1 December 2008
- b) Management Accounts of Property Fox for the period 1 July 2008 to 30 November 2008
- c) Annual Report of Property Fox for the years ended 30 June 2006, 2007 and 2008
- d) Shareholder register of Property Fox as at 4 December 2008
- e) Property Fox notice of extraordinary general meeting dated 23 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 Lonergan, 'The Valuation of Businesses, Shares and Other Equity', 4th Edition, Allen & Unwin 2003

9.4. 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.

9. Your Choices

You have three choices as a PF1 Shareholder in responding to Primrose Capital's Offer,

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

9.1 REJECT Primrose Capital's Offer

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

- If you choose not to accept Primrose Capital's Offer and Primrose Capital acquires at least 90% of PF1 A Class Shares, Primrose Capital may become entitled to compulsorily acquire the balance of the PF1 A Class Shares, and it has said that it intends to exercise those rights (see Section 7.7 of this Target's Statement for further details);
- As a holder of PF1 A Class Shares you will continue to be subject to the risks set out in Section 5.4 of this Target's Statement.

9.2 Sell your PF1 A Class Shares on market

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

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

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

9.3 Accept Primrose Capital's Offer

Primrose Capital has stated that its Offer remains open until 3.00pm (AEST) on the closing date for Primrose Capital's Offer, which is 16th January 2009 (unless Primrose Capital's Offer is extended or withdrawn).

It is possible that Primrose Capital will choose to extend the Offer Period in accordance with the Corporations Act (see Section 7.3 of this Target's Statement). Details of the consideration that you will receive if you accept Primrose Capital's Offer is set out in the Bidder's Statement. Subject to the withdrawal rights referred to in Section 7.4, if you accept Primrose Capital's Offer you: May incur a tax liability as a result of your acceptance; Will be unable to accept any higher offer or your PF1 A Class Shares that may eventuate from a third party; and Will be unable to sell your PF1 A Class Shares.

10. Additional Information

10.1 Issued securities

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

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

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

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

10.2 Changes in PF1's financial position

Apart from the matters disclosed elsewhere in this Target's Statement, so far as is known to the Directors, there have been no material changes to PF1's financial position since the 12th December 2008, being the date of the Management accounts included in Section 5 of this Target's Statement, which have not been announced to the NSX.

10.3 Taxation considerations

Section 7 of the Bidder's Statement provides a broad outline of the Australian taxation consequences for PF1 A Class Shareholders who accept Primrose Capital's Offer. The tax implications for each PF1 A Class Shareholder may vary depending on their particular circumstances. It is recommended that each PF1 A Class Shareholder seek their own professional advice regarding the taxation implications associated with Primrose Capital's Offer.

10.4 Material Litigation

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

10.5 No other material information

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

- (a) the information set out in the Bidder's Statement and the Supplementary Bidder's dated 15th December 2008;
- (b) the information set out in this Target's Statement; and
- (c) information that has previously been disclosed to the holders of PF1 Shares or disclosed to NSX or ASIC under the regular reporting and disclosure obligations to which PF1 is subject as a disclosing entity for Corporations Act purposes.

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

10.6 Consents

Each of the persons listed below has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn their consent to the inclusion of the following information in this Target's Statement in the form and context in which it is included and to all references in this Target's Statement to that information in the form and context in which they appear:

- (i) each Director — to being named as a Director and to the inclusion of statements made by him or her;
- (ii) Whittens Lawyers and Consultants — to being named as legal adviser to PF1;
- (iii) William Buck Corporate Advisory Services (NSW) Pty Limited - to being named as Independent Expert.

Disclaimer regarding statements made and responsibility

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

- (i) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement with the consent of that person; and
- (ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

10.7 Publicly available information

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

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

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

10.8 Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by the Directors on 30th December 2008. Signed for and on behalf of PF1 by Peter John Spann, a Director of PF1 who is authorised to sign pursuant to the resolution referred to above.



Peter Spann - Chairman

11. Glossary

11.1 Definitions

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

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

AEST means Australian Eastern Standard Time.

Announcement Date means 1 December 2008, the date upon which the Bid was announced.

ASIC means Australian Securities and Investments Commission.

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

Bidder means Primrose Capital Management Pty Limited ACN 134 211 724 as trustee for the Primrose Investment Trust.

Bidder's Statement means the bidder's statement dated 15th December 2008 in respect of the Offer given by Primrose Capital Management Pty Ltd ACN 134 211 724 as Trustee for the Primrose Investment Trust Limited under Part 6.5 of Chapter 6 of the Corporations Act.

CGT means Capital Gains Tax.

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

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

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

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

Consideration means \$0.30 per 1 Property Fox A Class Share, as varied in accordance with the Corporations Act.

Corporations Act means Corporations Act 2001 (Cth).

FFP mean Freeman Fox Property Pty Ltd.

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

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

HIN means holder identification number.

Independent Expert means William Buck Corporate Advisory Services (NSW) Pty Limited.

Independent Expert's Report means the report of means William Buck Corporate Advisory Services (NSW) Pty Limited dated 24th December 2008 and included in Section 8 of this Target's Statement.

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

Management Agreement means the management agreement between PF1 and Fox Portfolio Pty Ltd.

Merged Entity means Primrose Capital and its subsidiaries following the acquisition by Primrose Capital of all, or at least 90%, of the Property Fox A Class Shares.

Notice of Meeting means the Notice of Extraordinary general Meeting lodged with NSX and ASIC on 23rd December 2008.

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

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

NTA means net tangible assets.

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

Offer Period means the period commencing 15th December 2008 and ending on 16th January 2009 unless extended or withdrawn in accordance with the Corporations Act.

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

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

Primrose Capital means Primrose Capital Management Pty Limited as trustee for the Primrose Investment Trust ACN 134 211 724.

Primrose Capital Board means the board of directors of Primrose Capital.

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

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

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

Property Fox Group means Property Fox and its subsidiaries.

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

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

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

SRN means security holder reference number.

Target's Statement means this document dated 30th December 2008.

11.2 Interpretation

Unless the context otherwise requires:

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



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