

**Property Fox No. 1 Limited
ACN 101 816 353**

Target's Statement

**This Target's Statement has been issued in response
to the off-market takeover bid made by
Property Fox No. 2 Limited for all the A class shares
in Property Fox No. 1 Limited**

**Your Independent Director recommends that you
ACCEPT
the takeover bid made by Property Fox No. 2 Limited**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES
YOUR IMMEDIATE ATTENTION.
IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE
PLEASE CONSULT YOUR SOLICITOR, ACCOUNTANT OR
OTHER PROFESSIONAL ADVISER.**

**HWL
EBSWORTH**
LAWYERS

Legal Advisers

Important Information

1. Key dates

Date of Property Fox No. 2 Limited's (PF2) Offer	18 June 2009
Date of this Target's Statement	3 July 2009
Close of PF2's Offer Period (unless extended or withdrawn)	7.00pm AEST on 31 August 2009

2. Property Fox No. 1 Limited (PF1) shareholder information

PF1 has established a shareholder information line whereby PF1 shareholders may call if they have any queries in relation to the Offer. The telephone number for the shareholder information line is (07) 3031 9971. Further information relating to the Offer can be obtained from PF1's website at www.propertyfoxno1.com.au or the NSX website by inserting the following link into your web browser: <http://www.nsx.com.au/announcements/list.asp?nsxcode=PFAA>.

3. Important Notices

Nature of this document

This document is the Target's Statement issued by PF1 under Part 6.5 Division 3 of the Corporations Act in response to PF2's Bidder's Statement and the Offer.

Date of this Target's Statement

This Target's Statement is dated 3 July 2009 and is current as at that date. Before making any decision regarding whether to accept the Offer you should visit PF1's website at www.propertyfoxno1.com.au to see if there have been any developments in relation to PF1.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in Section H of this Target's Statement.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial

situation or particular needs. It does not contain personal advice. Your Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward-looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which PF1 operates as well as general economic conditions, prevailing exchange rates and interest rates 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. None of PF1, PF1's officers, any persons 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 (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, except to the extent required by law. You are urged not to place undue reliance on any forward-looking statement. The forward-looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

ASIC and NSX disclaimer

A copy of this Target's Statement was lodged with ASIC on 3 July 2009 and submitted to the NSX on 3 July 2009. Neither ASIC, the NSX nor any of their respective officers takes any responsibility for the content of this Target's Statement.

How to accept the Offer

Your Independent Director recommends that you ACCEPT the Offer

How you accept the Offer depends on the nature and type of your holding:

1. If you hold your PF1 A Class Shares in an Issuer Sponsored Holding

If there is an "I" appearing next to your holder number on your acceptance form enclosed with the Bidder's Statement then your PF1 A Class Shares are on an issuer sponsored sub-register.

To accept the Offer, complete and sign the acceptance form enclosed with the Bidder's Statement in accordance with the terms of the Offer and the instructions on that form and return it to the address shown on the form before the Offer closes.

2. If you hold your PF1 A Class Shares in a CHESS Holding

If there is an "X" appearing next to your holder number on your acceptance form enclosed with the Bidder's Statement then your PF1 A Class Shares are in a CHESS Holding.

To accept the Offer, either:

- (a) call your broker and instruct them to initiate acceptance of the Offer on your behalf; or
- (b) complete and sign the acceptance form enclosed with the Bidder's Statement in accordance with the terms of the Offer and the instructions on that form, and ensure that the acceptance form is received at the address shown on the form,

before the Offer closes.

3. General information on how to accept the Offer

To validly accept the Offer your acceptance must be received at the address specified in the Bidder's Statement before 7.00 pm AEST on 31 August 2009 unless the Offer Period is extended. Further details of how to accept the Offer are set out in the "How to Accept the Offer" section of the Bidder's Statement which you should already have received.

If you did not receive, or have lost, the Bidder's Statement or acceptance form or if you have any questions about how to accept the Offer you can call (07) 3031 9971 to request a replacement copy.

You are encouraged to read this Target's Statement and the Bidder's Statement and consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your PF1 A Class Shares. Your Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

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3 July 2009

Dear Shareholders

Takeover bid by Property Fox No. 2 Limited

On 22 May 2009, Property Fox No. 2 Limited (PF2) announced a scrip offer to acquire all of the issued A class shares (PF1 A Class Shares) in Property Fox No. 1 Limited (PF1). Under PF2's offer (Offer), for every 10 PF1 A Class Shares you own, you are being offered nine PF2 A class shares (PF2 A Class Shares).

The purpose of this Target's Statement is to provide you with information to assist you in considering the Offer. I urge you to read both the Bidder's Statement and this Target's Statement before making any decision.

The Offer values PF1 at \$0.5957 per PF1 A Class Share representing a premium of 18.55% over the net tangible assets (NTA) of PF1 per PF1 A Class Share and a premium of 37.42% to the volume weighted average price of PF1 A Class Shares traded on the NSX since listing of PF1 on the NSX.

The Independent Expert has assessed the value of the consideration offered by PF2 for the acquisition of the PF1 A Class Shares to be \$0.4879 per PF1 A Class Share. This amount is lower than the Independent Expert's assessed value of each PF1 A Class Share which is \$0.4986. The Independent Expert has concluded that the Offer is not fair but reasonable.

Peter Spann and Howard Woolcott are directors of both PF1 and PF2, and therefore they offer no recommendation as to whether or not you should accept the Offer. I am the Independent Director of PF1 and I consider the Offer to be not fair but reasonable and recommend that you accept the Offer. To do this, please follow the instructions on the acceptance form enclosed with the Bidder's Statement and the 'How to Accept the Offer' section of this Target's Statement and the Bidder's Statement.

I recommend that you accept the Offer for the following reasons:

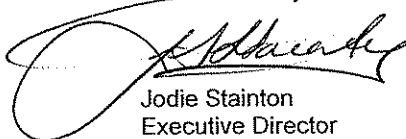
- the combined entity will have a higher number of shares on issue and a higher market capitalisation which may result in improved liquidity of the shares;
- the merger will result in PF2 having larger cash reserves;
- PF2 will have a reduced risk profile as a result of the consolidation of several property assets that are currently held jointly with PF1;
- there will be considerable cost savings to PF1 A Class Shareholders as a result of the rationalisation of administration and the associated board and management structures of both PF1 and PF2;
- based on the opinion contained in the Independent Expert Report, the Offer is not fair but reasonable to PF1 A Class Shareholders; and
- acceptance of the Offer will provide PF1 A Class Shareholders with NSX-listed shares in PF2.

As you are aware, on 8 May 2009, PF1 made you an offer to buy-back 40% of your PF1 A Class Shares at a price of \$0.55 per PF1 A Class Share (Buy-Back Offer). The Buy-Back Offer has been extended to close on 14 July 2009.

For your choices as to what action you may take, refer to Section C of the Target's Statement.

Please read carefully all information contained in this Target's Statement and where appropriate, seek professional advice. If you have any queries, please call the PF1 shareholder information line on (07) 3031 9971.

Yours sincerely



Jodie Stainton
Executive Director

Section A - Independent Director's recommendation

The Directors in office at the date of this Target's Statement are:

- **Jodie Stainton** Executive Director and Independent Director
- **Peter Spann** Managing Director
- **Howard Woolcott** Executive Director

Jodie Stainton is the Independent Director of PF1 as she has no association with PF2 and therefore has no interest in the Offer which may conflict with the interests of PF1.

Peter Spann is a director of both PF1 and PF2 and therefore is not an Independent Director. As a result, Peter Spann has decided not to make a formal recommendation to PF1 A Class Shareholders.

Howard Woolcott is a director of both PF1 and PF2 and therefore is not an Independent Director. As a result, Howard Woolcott has decided not to make a formal recommendation to PF1 A Class Shareholders.

Section 640 of the Corporations Act requires that where the bidder (PF2) and the target (PF1) have a common director, the Target's Statement must include an independent expert report stating whether, in the expert's opinion, the offer is fair and reasonable and gives the reasons for forming that opinion.

The Independent Director commissioned an Independent Expert Report from William Buck on whether the Offer is fair and reasonable to non-associated PF1 A Class Shareholders. A copy of that report is set out in Section J of this Target's Statement. The Independent Expert Report concludes that the Offer is not fair but reasonable to PF1 A Class Shareholders.

After taking into account each of the matters in this Target's Statement (including the Independent Expert Report) and in the Bidder's Statement, your Independent Director considers the Offer to be not fair but reasonable and recommends that you accept the Offer for the following reasons:

- the combined entity will have a higher number of shares on issue and a higher market capitalisation which may result in improved liquidity of the shares;
- the merger will result in PF2 having larger cash reserves;
- PF2 will have a reduced risk profile as a result of the consolidation of several property assets that are currently held jointly with PF1;
- there will be considerable cost savings to PF1 A Class Shareholders as a result of the rationalisation of administration and the associated board and management structures of both PF1 and PF2;
- based on the opinion contained in the Independent Expert Report, the Offer is not fair but reasonable to PF1 A Class Shareholders; and
- acceptance of the Offer will provide PF1 A Class Shareholders with NSX-listed shares in PF2.

More details on the reasons why your Independent Director recommends that you accept the Offer can be found in Section B of this Target's Statement.

In considering whether to accept the Offer, your Directors encourage you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;

- consider your choices set out in Section C of this Target's Statement; and
- obtain advice from your solicitor, accountant or other professional adviser on the Offer and obtain taxation advice on the effect of accepting the Offer.

If you have any further queries in relation to the Offer, you can call the PF1 shareholder information line on (07) 3031 9971.

Details of the Relevant Interest in PF1 A Class Shares and PF1 Ordinary Shares that each Director holds are set out in Section G of this Target's Statement.

Section B - Why your Independent Director recommends that you accept the Offer

1. Improved liquidity

If the Offer is successfully completed, the combined entity will have a higher number of shares on issue and a higher market capitalisation which may result in improved liquidity of the shares. The combined entity could also potentially gain easier access to capital as compared to PF1 attempting to secure capital on a stand alone basis.

2. The merger will consolidate the cash reserves and assets of PF1 and PF2

Acceptance of the Offer will result in a consolidation of the cash reserves of PF1 and PF2. Successful completion of the Offer will result in a merged entity with approximately \$2 million in cash reserves (before any payments are made to PF1 A Class Shareholders pursuant to the Buy-Back Offer).

At present there are certain property assets that are held jointly by PF1 and PF2. These assets include the Healy and Ruthven Streets properties, details of which are set out in Section E. Successful completion of the Offer will result in a consolidation of the property assets, which consequently reduces costs.

3. Considerable cost savings to PF1 A Class Shareholders

If the Offer is successful, the merger of PF1 and PF2 will result in a rationalisation of the administration and operations of PF1 and PF2 and the associated board and management structures of both PF1 and PF2. This will mean substantial cost savings as a result of lower administrative and operating expenses.

4. Support of substantial PF1 A Class Shareholder

PF1's largest PF1 A Class Shareholder, Fox Invest Limited has indicated that it intends to accept the Offer. This support by PF1's largest PF1 A Class Shareholder implicitly endorses the Offer Consideration.

5. Low conditionality of the Offer

The conditions of the Offer include:

- (a) a 64% minimum acceptance condition; and
- (b) no contravention of certain "prescribed occurrences" including those set out in sections 652C of the Corporations Act.

While the Offer is subject to the conditions above and there can be no guarantee that these conditions will be satisfied or waived by PF2, the directors believe that the Offer has a relatively low conditionality because of the 64% minimum acceptance condition and the absence of any market-related conditions.

See section 7 of Annexure 1 of the Bidder's Statement and Section F of this Target's Statement for full details of the conditions of the Offer.

6. Independent Expert Report

The Independent Expert has assessed the value of the consideration offered by PF2 for the acquisition of the PF1 A Class Shares to be \$0.4879 per PF1 A Class Share. This amount is lower than the Independent Expert's assessed value of each PF1 A Class Share which is \$0.4986.

The Independent Expert has concluded that the Offer is not fair but reasonable to PF1 A Class Shareholders.

Section C - Your choices as a PF1 A Class Shareholder

As a PF1 A Class Shareholder you have **four** choices currently available to you:

1. **Accept the Offer**

You can accept the Offer. **This is the approach recommended by your Independent Director.**

The process to follow to accept the Offer depends on the nature and type of your holding and is set out earlier in this document.

Full details of how to accept the Offer are set out in the "How to accept the Offer" section of this Target's Statement and the "How to accept the Offer" section on page 10 of the Bidder's Statement.

Before you consider accepting the Offer, you should read the terms of the Offer set out in Annexure 1 of the Bidder's Statement. That section describes the rights attaching to the PF2 A Class Shares you will be receiving, the representations and warranties you will be making and the irrevocable authorities and appointments that you will be granting PF2 if you accept the Offer.

PF1 A Class Shareholders who accept the Offer may be liable for tax on the disposal of their PF1 A Class Shares. You should obtain your own personal, independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

2. **Accept the Buy-Back Offer**

On 8 May 2009, PF1 made you an offer to buy-back 40% of your PF1 A Class Shares at a price of \$0.55 per PF1 A Class Share (**Buy-Back Offer**). The Buy-Back Offer has been extended to close on 14 July 2009. You can accept the Buy-Back Offer.

If you accept the Buy-Back Offer, then PF2 intends to proceed with the Offer to acquire the balance of your shareholding (i.e. 60%) on the terms of the Offer. If you accept the Buy-Back Offer, you can also accept the Offer for the balance of your shareholding.

You should obtain your own personal, independent financial and taxation advice before making a decision as to whether or not to accept the Buy-Back Offer.

3. **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 for cash, provided you have not already accepted the Offer for those PF1 A Class Shares.

If you sell your PF1 A Class Shares on market, you:

- (a) will lose the ability to accept the Offer and receive the Offer Consideration;
- (b) will lose the ability to accept any other takeover bid that may be made for PF1 A Class Shares;
- (c) may incur a tax liability as a result of the sale on market;
- (d) may incur a brokerage charge; and
- (e) will lose the opportunity to participate in the future of PF1.

4. Take no action

PF1 A Class Shareholders who do not wish to accept the Offer should do nothing in relation to the Offer.

PF1 A Class Shareholders should note that:

- (a) if PF2 acquires more than 64% but less than 90% of PF1 A Class Shares and you continue to hold your PF1 A Class Shares, you will be exposed to the risks associated with being a minority shareholder of PF1. Some of these risks are explained in Section F of this Target's Statement; and
- (b) if PF2 acquires at least 90% of PF1 A Class Shares, PF2 may become entitled to compulsorily acquire the balance of the PF1 A Class Shares. PF2 has stated in the Bidder's Statement that it intends to compulsorily acquire the balance of PF1 A Class Shares if it becomes entitled to do so.

Section D - Frequently Asked Questions

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for PF1 A Class Shareholders. This section should be read together with all other parts of this Target's Statement as well as the Bidder's Statement.

Who is the Bidder?	Property Fox No. 2 Limited. Information in relation to PF2 can be obtained from section 1 of the Bidder's Statement or PF2's website at www.propertyfoxno2.com.au .
What is PF2's offer for my PF1 A Class Shares?	PF2 is offering you nine PF2 A Class Shares for every 10 PF1 A Class Shares you hold.
What is the Bidder's Statement?	The Bidder's Statement is the document setting out the terms of the Offer that PF2 is required by law to send to you.
What is the Target's Statement?	The Target's Statement (this document) has been prepared by the Directors and provides PF1's response to the Offer, including the recommendation of the Independent Director.
Who is the Offer made to?	<p>The Offer is made to all persons who hold PF1 A Class Shares as at 7.00pm (Brisbane time) on 12 June 2009 (Register Date) but may also be accepted by any person who is able to give good title to PF1 A Class Shares during the Offer Period.</p> <p>The Offer extends to any PF1 A Class Shares that are issued during the Offer Period as a result of the exercise of any options or other rights convertible into PF1 A Class Shares.</p>
What is the Offer Consideration for my PF1 A Class Shares?	The Offer Consideration is nine PF2 A Class Shares for every 10 PF1 A Class Shares you hold. Fractions of shares will be rounded up to the nearest whole number.
When will I be issued with PF2 A Class Shares?	<p>PF2 will issue the PF2 A Class Shares to you under the Offer by the earlier of:</p> <ul style="list-style-type: none">• one month after the Offer is accepted or one month after all the conditions have been satisfied or waived; and• 21 days after the end of the Offer Period. <p>You will only receive the PF2 A Class Shares if the Offer becomes unconditional.</p>
What are the rights attaching to the PF2 A Class Shares?	<p>The holders of PF2 A Class Shares will have the right to:</p> <ul style="list-style-type: none">• dividends determined by the Directors of PF2;• the return of capital on the winding up of PF2; and• vote at general meetings of PF2.

What choices do I have as a PF1 A Class Shareholder?

As a PF1 A Class Shareholder, you can:

- accept the Offer;
- accept the Buy-Back Offer;
- sell your PF1 A Class Shares on the NSX, in which case you should instruct your stockbroker when you want to sell; or
- do nothing.

There are several implications in relation to each of the above choices. A summary of these implications is set out in Section F of this Target's Statement. When deciding what to do, you should carefully consider the Independent Director's recommendation and other important considerations set out in this Target's Statement and monitor the PF1 A Class Share price.

What do the Directors recommend in respect of the Offer?

The Independent Director recommends that you accept the Offer.

However, this recommendation does not take into account your personal circumstances and you may wish to seek independent financial and taxation advice from your professional advisers. If there is a change in this recommendation or any material developments in relation to the Offer, PF1 will lodge a supplementary target's statement and send it to the NSX for public release.

Peter Spann and Howard Woolcott are directors of both PF1 and PF2, and therefore they offer no recommendation as to whether or not you should accept the Offer.

Why is the Independent Director recommending that I accept the Offer?

The reasons why the Independent Director recommends that you accept the Offer are set out in Section B of this Target's Statement. In summary, they are that:

- the combined entity will have a higher number of shares on issue and a higher market capitalisation which may result in improved liquidity of the shares;
 - the merger will result in PF2 having larger cash reserves;
 - PF2 will have a reduced risk profile as a result of the consolidation of several property assets that are currently held jointly with PF1;
 - there will be considerable cost savings to PF1 A Class Shareholders as a result of the rationalisation of administration and the associated board and management structures of both PF1 and PF2;
 - based on the opinion contained in the Independent Expert Report, the Offer is not fair but reasonable to PF1 A Class Shareholders; and
 - acceptance of the Offer will provide PF1 A Class Shareholders with NSX-listed shares in PF2.
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What has the Independent Director done with her own PF1 A Class Shares?	The Independent Director does not hold any PF1 A Class Shares.
What are the implications of accepting the Offer?	<p>Accepting the Offer will entitle you to hold PF2 A Class Shares and become a shareholder of PF2.</p> <p>If you accept the Offer:</p> <ul style="list-style-type: none"> • 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 • you will be unable to sell your PF1 A Class Shares on market.
What are the implications of not accepting the Offer?	<p>If you do not accept the Offer and the Offer becomes or is declared unconditional, you will remain a minority PF1 A Class Shareholder, but:</p> <ul style="list-style-type: none"> • if PF2 achieves a Relevant Interest in PF1 A Class Shares of 90% or more, PF2 intends to compulsorily acquire all outstanding PF1 A Class Shares; and • if PF2 achieves a Relevant Interest in PF1 A Class Shares of 64% or more but less than 90%, PF2 intends to run PF1 as a subsidiary subject to regulatory requirements and minority shareholder's rights. <p>Full details of the implications of not accepting the Offer are set out in Section F of this Target's Statement.</p>
What effect does the Buy-Back Offer have on this Offer?	<p>On 8 May 2009, PF1 made you an offer to buy-back 40% of the PF1 A Class Shares held by you at a price of \$0.55 per PF1 A Class Share (Buy-Back Offer). The Buy-Back Offer has been extended to close on 14 July 2009 to give you an opportunity to consider the information set out in this Target's Statement.</p> <p>If you accept the Buy-Back Offer, then PF2 intends to proceed with the Offer to acquire the balance of your shareholding (i.e. 60%) on the terms of the Offer.</p>
How many PF1 A Class Shares does PF2 already own?	As at the date of this Target's Statement, PF2 does not own any PF1 A Class Shares.
How do I accept the Offer?	<p>Details of how to accept the Offer are set out in the "How to Accept the Offer" section of this Target's Statement and the "How to Accept the Offer" section of the Bidder's Statement.</p> <p>You are encouraged to seek independent financial and taxation advice from your professional advisers in relation to the action that you should take in respect of the Offer.</p>
How do I reject the Offer?	To reject the Offer, you do not need to do anything. Simply continue to hold your PF1 A Class Shares.

Can I accept the Offer for only some of my PF1 A Class Shares?	<p>No. The Offer extends to ALL of the PF1 A Class Shares held by you.</p> <p>If you have accepted the Buy-Back Offer, then all of your PF1 A Class Shares are deemed to be the remaining PF1 A Class Shares you hold after you have accepted the Buy-Back Offer.</p>
If I accept the Offer, can I withdraw my acceptance?	<p>You only have limited rights to withdraw your acceptance of the Offer.</p> <p>You may only withdraw your acceptance of the Offer if PF2 varies the Offer in a way that postpones for more than one month the time by which PF2 must satisfy its obligations under the Offer. This will occur if PF2 extends the Offer Period by more than one month and the Offer is still subject to any defeating conditions.</p>
Can the Offer Period be extended?	<p>Yes. PF2 may extend the Offer Period at any time before the end of the Offer Period. In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period:</p> <ul style="list-style-type: none"> • PF2 improves the Offer Consideration; or • PF2's voting power in PF1 increases to more than 50%. <p>If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.</p>
When does the Offer close?	<p>The Offer is presently scheduled to close at 7.00 pm AEST on 31 August 2009 but (as described above) the Offer Period can be extended in certain circumstances.</p>
Is the Offer conditional?	<p>Yes. The Offer is subject to a number of conditions, including the following:</p> <ul style="list-style-type: none"> • a minimum Offer acceptance condition of 64%; and • none of the "prescribed occurrences" listed in section 652C of the Corporations Act occurs. <p>Full details of the terms of the Offer are set out in Section F in this Target's Statement and Annexure 1 of the Bidder's Statement.</p>
Why is there a minimum acceptance condition of 64%?	<p>PF2 needs to acquire 64% of the PF1 A Class Shares in order to obtain more than 50% of the total voting rights in PF1.</p>
How will I know when the Offer is unconditional?	<p>PF2 is required to inform PF1 and PF1 A Class Shareholders as soon as the conditions to the Offer are satisfied or waived. Notices from PF2 will be available on the NSX website at www.nsx.com.au or PF2's website at www.propertyfoxno2.com.au.</p>

<p>What happens if the conditions to the Offer are not satisfied or waived?</p>	<p>If the conditions are not satisfied or waived before the end of the Offer Period (eg the 64% minimum acceptance condition is not achieved because of insufficient acceptances), the Offer will lapse. You will then be free to deal with your PF1 A Class Shares even if you had previously accepted the Offer but you will not be paid the Offer Consideration.</p> <p>In that circumstance, PF1 will continue to operate as a stand alone NSX-listed entity focussed on its current strategies. The rights of PF1 A Class Shareholders would remain unchanged.</p>
<p>What happens if PF2 improves the Offer Consideration?</p>	<p>If PF2 improves the Offer Consideration, all PF1 A Class Shareholders who have accepted the Offer will be entitled to the benefit of that improved consideration (whether they accepted the Offer before or after the Offer Consideration is improved).</p>
<p>What happens if a superior proposal is made by a third party?</p>	<p>If a superior proposal is made by a third party, the Independent Director will reconsider her recommendation in light of that and advise PF1 A Class Shareholders accordingly. PF1 A Class Shareholders who have already accepted the Offer at such time will not receive the benefit of the superior proposal made by the third party.</p>
<p>Can I be forced to sell my PF1 A Class Shares?</p>	<p>You cannot be forced to sell your PF1 A Class Shares unless PF2 and its Associates acquire a Relevant Interest in PF1 A Class Shares of 90% or more by the end of the Offer Period and PF2 proceeds to compulsory acquisition of your PF1 A Class Shares under the Corporations Act.</p> <p>PF2 has stated that if it holds a Relevant Interest in PF1 A Class Shares of 90% or more during or at the end of the Offer Period and is entitled to compulsorily acquire PF1 A Class Shares under the Corporations Act, it intends to exercise those rights and acquire the remaining PF1 A Class Shares in accordance with the Corporations Act.</p>
<p>What are the tax implications of accepting the Offer?</p>	<p>A general outline of the tax implications of accepting the Offer are set out in Section G of this Target's Statement. As this is only a general outline, PF1 A Class Shareholders are encouraged to seek their own professional advice as to the taxation implications applicable to their own circumstances.</p>
<p>Is there a number that I can call if I have further queries in relation to the Offer?</p>	<p>If you have any further queries in relation to the Offer, you can call the PF1 shareholder information line on (07) 3031 9971.</p>

Section E - Information about PF1

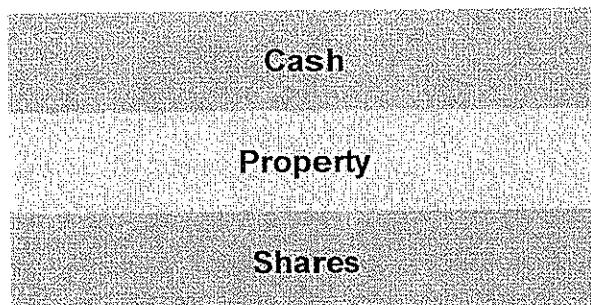
1. General overview

PF1 is an NSX listed diversified property investment company which has holdings in a range of residential properties in New South Wales and Queensland and a significant cash holding. PF1 was incorporated on 26 August 2002 and was admitted to the official list of the NSX on 28 February 2007.

For further information on PF1, investors should read the NSX announcements made by PF1 which can be accessed on http://www.nsx.com.au/announcements_list.asp?nsxcode=PFAA. A list of announcements made by PF1 between 14 September 2008 and 22 May 2009 is contained in Annexure 3 of the Bidder's Statement.

2. PF1 Assets

As at 3 July 2009, PF1's investments comprise:



2.1 Cash

As at 31 December 2008 (being the latest publicly available financial information), 49.73% of PF1's total assets consisted of cash and cash equivalents.

2.2 Property

PF1's current investments in property comprise the following:

(a) 38 Vine Street, Fairfield NSW

The Vine Street property comprises four company title home units in a block of 12 which were acquired by PF1 in 2003 and renovated with a view to deriving a profit. PF1 is in the process of converting the remaining units from company title to strata title. This process has not been completed as at the date of this Target's Statement.

(b) Healy and Ruthven Streets, Toowoomba QLD

The Healy and Ruthven Streets properties comprise 8 contiguous properties consisting of houses and apartments in the central area of Toowoomba. These properties are well positioned on the main thoroughfare of the city approximately 5 kilometres from the city centre. These properties have the potential for multiple re-zoning. The properties were acquired in 2003 with the intention of holding the assets for a number of years to explore available development opportunities. PF1 holds a 30% interest in the Healy and Ruthven Streets properties (PF2 holds a 50% interest and Freeman Fox Investments Pty Ltd holds a 20% interest).

2.3 Shares

- (a) PF1 owns 2% of the issued capital of Fox Riverside Pty Limited (**Fox Riverside**) which entitles it to 5.95% of the profit and capital distribution. On 5 December 2008, PF1 received \$208,250 in cash from Fox Riverside on account of PF1's entitlement to its portion of the proceeds of the sale of the properties held by Fox Riverside.
- (b) As at 31 December 2008, PF1 held 103,499 PF2 A Class Shares. The PF2 A Class Shares were valued at \$59,169 in PF1's balance sheet as at 31 December 2008.

3. Directors of PF1

3.1 Peter John Spann – Executive Director and Managing Director

Peter is the founder of the Freeman Fox group of companies (www.freemanfox.com.au) 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. He has also published a number of commercially successful books.

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 PF2, Fox Invest Limited (a company listed on the ASX) and several other unlisted companies.

3.2 Howard Woolcott – Executive Director

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

He was a founder and past director of Tribeca Learning Limited, a registered training organisation specialising in education services for the financial planning industry. Tribeca was subsequently bought by Kaplan Professional.

Howard is a director of PF2 and is Managing Director of Woolcott Corporate Development Pty Ltd which provides management and strategic advice to businesses.

3.3 Jodie Stainton – Executive Director and Independent Director

Jodie 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 specialising in inner city properties in Brisbane. Jodie is a registered real estate sales person.

3.4 Andrew Whitten – Company Secretary

Andrew 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 the ASX and NSX, corporate reconstructions, reverse mergers and takeovers.

Andrew's firm is Nominated Adviser to several companies. He holds the following professional qualifications: Bachelor of Arts (Economics), Master of Laws and Legal Practice and Graduate Diploma in Advanced Corporate Governance. Andrew is a public notary and an elected Associate of the Institute of Chartered Secretaries.

4. Management of PF1

PF1 is managed by Fox Portfolio Pty Ltd (**Fox Portfolio**) under a management agreement. Fox Portfolio is owned and controlled by Peter Spann, the Managing Director of PF1. Further details including the terms of the management agreement are set out in section 2.5.1 of the Bidder's Statement.

5. Financial overview

5.1 Summary balance sheet

The following table should be read in conjunction with PF1's Half-Yearly Report and Annual Report and in particular the Notes to the Financial Statements for details regarding PF1's financial position as at 31 December 2008.

The Half-Yearly Report and Annual Report were released to the NSX and are available free from PF1 on request and are also available on <http://www.nsx.com.au/announcements/list.asp?nsxcode=PFAA>.

Consolidated Balance Sheet as at 31 December 2008

	Note	Consolidated Entity	
		31 Dec 2008	30 Jun 2008
		\$	\$
Current Assets			
Cash and cash equivalents		1,405,230	1,427,875
Trade and other receivables		51,482	51,864
Inventories		1,293,111	1,293,111
Other financial assets	3	75,689	283,939
Total Current Assets		2,825,512	3,056,789
Total Assets		2,825,512	3,056,789
Current Liabilities			
Trade and other payables		111,695	38,615
Other financial liabilities		446,250	446,250
Total Current Liabilities		557,945	484,865
Total Liabilities		557,945	484,865
Net Assets		2,267,567	2,571,924
Equity			
Contributed equity		4,506,711	4,506,711
Accumulated losses		(2,239,144)	(1,934,787)
Total Equity		2,267,567	2,571,924

5.2 Summary income statement

The following table should be read in conjunction with PF1's Half-Yearly Report and Annual Report and in particular the Notes to the Financial Statements for details regarding PF1's financial performance for the period ended 31 December 2008.

The Half-Yearly Report and Annual Report were released to the NSX and are available free from PF1 on request and are also available on http://www.nsx.com.au/announcements_list.asp?nsxcode=PFAA.

Consolidated Income Statement for the half year ended 31 December 2008

		Consolidated Entity	
	Note	31 Dec 2008	31 Dec 2007
		\$	\$
Continuing operations			
Sales revenue			
- Sale of properties	2	-	1,200,000
Cost of sales			
- Sale of properties	2	-	(1,196,400)
Gross margin from sale of properties			3,600
Other revenue	2	85,393	91,489
Management fees – related party		(6,000)	(12,000)
Directors' fees		(12,600)	(12,600)
Company secretarial fees		(16,500)	(15,750)
Share registry fees		(18,567)	(16,290)
Professional fees	2	(263,527)	(67,773)
Impairment of inventory		-	(20,000)
NSX listing fees		(3,162)	-
Rates and taxes		(6,727)	(24,529)
Repairs and maintenance		(2,762)	(1,306)
Interest expense		(22,193)	(18,561)
Other expenses		(37,712)	(19,489)
Loss before income tax		(304,357)	(113,209)
Income tax benefit		-	-
Loss from after income tax		(304,357)	(113,209)
Loss attributable to members of the parent entity		(304,357)	(113,209)
Basic loss per share (cents per share)		(5.28)	(2.27)
Diluted loss per share (cents per share)		(5.28)	(2.27)

5.3 Changes in PF1's financial position

Apart from the matters disclosed above and elsewhere in this Target's Statement, to the knowledge of the Directors, there have been no material changes to PF1's financial position since the date of the last balance sheet published by PF1 (being the balance sheet as at

31 December 2008 set out in paragraph 5.1 above), which have not been announced to the NSX.

6. The Buy-Back Offer

On 8 May 2009, PF1 made you an offer to buy-back 40% of the PF1 A Class Shares held by you at a price of \$0.55 per PF1 A Class Share.

In order to give you sufficient time to consider the Target's Statement and make a decision as to whether or not you wish to accept the Offer for all of your PF1 A Class Shares or sell 40% of your shares to PF1 pursuant to the Buy-Back Offer, the closing date for the Buy-Back Offer has been extended by two weeks and will now close on 14 July 2009.

If you accept the Buy-Back Offer, then PF2 intends to proceed with the Offer to acquire the balance of your shareholding (i.e. 60%) on the terms of the Offer.

7. Recent PF1 A Class Share performance

The last recorded share price of PF1 A Class Shares on the NSX before the public announcements regarding the initial takeover discussions was \$0.19 per share.

The last recorded share price of PF1 A Class Shares on the NSX on 2 July 2009 (being the last practical date before this Target's Statement was lodged for registration with ASIC) was \$0.19.

Since the initial takeover discussions were announced to the NSX on 22 May 2009, no PF1 A Class Shares have traded on the NSX.

Section F - Important Matters for PF1 A Class Shareholders to Consider

1. Summary of the Offer

On 22 May 2009, PF2 lodged the Bidder's Statement with ASIC which sets out the terms of the Offer. The key terms of the Offer are set out in Annexure 1 of the Bidder's Statement and are summarised in the "Frequently Asked Questions" section of this Target's Statement (Section D).

2. Offerees under the Offer

Annexure 1 of the Bidder's Statement sets out the persons to whom the Offer is made. The Offer is made to all persons who hold PF1 A Class Shares as at the Register Date, but may also be accepted by any person who is able to give good title to PF1 A Class Shares during the Offer Period.

3. Offer Consideration

The consideration offered by PF2 under the Offer is nine PF2 A Class Shares for every 10 PF1 A Class Shares you own.

4. Offer Period

The Offer closes at 7.00pm AEST on 31 August 2009 (unless extended or withdrawn).

PF2 may extend the Offer Period before the end of the Offer Period in accordance with the Corporations Act. To extend the Offer Period, PF2 must lodge a notice of variation with ASIC and give a notice to PF1 and to each PF1 A Class Shareholder to whom the Offer was made.

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

- (a) PF2 improves the Offer Consideration; or
- (b) PF2'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.

5. Limited rights to withdraw your acceptance

You may only withdraw your acceptance of the Offer if:

- (a) it is still subject to a defeating condition (refer to paragraph 6 below and section 7 of Annexure 1 of the Bidder's Statement for full details of the conditions of the Offer); and
- (b) the Offer is varied in a way that postpones, for more than one month, the time when PF2 has to meet its obligations under the Offer. This may occur if PF2 extends the Offer Period by more than one month and the Offer is still subject to a defeating condition.

6. Conditions of the Offer

The Offer is subject to certain conditions and will lapse unless the conditions are either satisfied or waived by PF2. These conditions are set out in full in section 7 of Annexure 1 of the Bidder's Statement. In summary, the Offer is subject to the following conditions:

- (a) a 64% minimum acceptance condition; and
- (b) that none of the following events occurs before the end of the Offer Period:
 - (i) PF1 converts all or any of its shares into a larger or smaller number of shares;
 - (ii) PF1 resolves to reduce its share capital in any way;
 - (iii) PF1 resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;
 - (iv) PF1 issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option other than an issue of PF1 shares pursuant to the exercise of an option granted and disclosed by PF1 on the NSX prior to 22 May 2009;
 - (v) PF1 issues, or agrees to issue, convertible notes;
 - (vi) PF1 disposes, or agrees to dispose, of the whole or a substantial part of its business or property;
 - (vii) PF1 charges, or agrees to charge, the whole or a substantial part, of its business or property;
 - (viii) PF1 resolves to be wound up;
 - (ix) a liquidator or provisional liquidator is appointed to PF1;
 - (x) a court makes an order for the winding up of PF1;
 - (xi) an administrator of PF1 is appointed under sections 436A, 436B or 436C of the Corporations Act;
 - (xii) PF1 executes a deed of company arrangement;
 - (xiii) a receiver or a receiver and manager is appointed in relation to the whole or a substantial part of the property of PF1; or
 - (xiv) anything analogous to the matters referred to in paragraphs (i) to (xiii) occurs in any jurisdiction outside Australia in relation to PF1.

7. Effect of accepting the Offer

If you accept the Offer, subject to any withdrawal rights set out in paragraph 3 above:

- (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 A Class Shares on market.

8. Implications of not accepting the Offer

8.1 Implications if you do not accept and PF2 acquires a Relevant Interest in PF1 A Class Shares of 90% or more

IF PF2 acquires a Relevant Interest in PF1 A Class Shares of 90% or more under the Offer and is entitled to proceed to compulsory acquisition under the Corporations Act, PF2 has indicated that it intends to compulsorily acquire all outstanding PF1 A Class Shares.

Following compulsory acquisition, PF2 has indicated that it intends to conduct a strategic review of PF1's property assets to assess the performance, profitability and prospects of these assets on an asset-by-asset basis. PF2 does not intend to replace the members of the Board. PF2 intends to consolidate and rationalise corporate office functions of PF1 and PF2.

For more information regarding PF2's intentions in relation to PF1, its assets and operations, refer to section 3.2.1 of the Bidder's Statement.

8.2 Implications if you do not accept and PF2 acquires a Relevant Interest in PF1 A Class Shares of 64% or more but less than 90%

If PF2 acquires a Relevant Interest in PF1 A Class Shares greater than 64% but less than 90%, it will gain effective control of PF1. As the single largest shareholder of PF1, PF2 intends to run PF1 as a subsidiary, subject to regulatory requirements and minority shareholder's rights.

PF1 A Class Shareholders who have not accepted the Offer will become minority shareholders in PF1. This has a number of possible implications, including:

- (a) PF2 will be in a position to cast the majority of the votes at a general meeting of PF1. This will enable PF2 to control the composition of the Board and senior management, PF1's dividend policy and the strategic direction of the businesses of PF1;
- (b) funding of PF1's activities may involve equity funding. IF PF1 seeks to raise equity funding this may have a dilutionary effect on non-accepting PF1 A Class Shareholders who are unable or unwilling to participate in providing such funding in the future;
- (c) the PF1 A Class Share price may fall immediately following the end of the Offer Period and it is possible that the PF1 A Class Share price will not sustain any takeover premium;
- (d) liquidity of PF1 A Class Shares may be lower than at present;
- (e) PF2 has indicated that it intends to proceed to compulsory acquisition should it become entitled to do so in the future. Therefore, non-accepting PF1 A Class Shareholders may still be forced to sell their PF1 A Class Shares where, some time in the future, PF2 becomes entitled to a Relevant Interest in PF1 A Class Shares of 90% or more;
- (f) if the number of PF1 A Class Shareholders is less than that required by the NSX Listing Rules to maintain an NSX listing, then PF2 may seek to have PF1 removed from the official list of the NSX. If this occurs, PF1 A Class Shares will not be able to be bought or sold on the NSX; and
- (g) if PF2 acquires 75% or more of the voting power in PF1, it will have sufficient voting power to pass a special resolution at a meeting of shareholders of PF1. This will enable PF2 to, among other things, change the constitution of PF1.

8.3 Implications if PF2 does not acquire 64% of PF1 A Class Shares

If the Offer closes and PF2 does not acquire 64% of the PF1 A Class Shares on issue, PF2 may:

- (a) allow the Offer to lapse;
- (b) waive the 64% minimum acceptance condition; or
- (c) acquire additional PF1 A Class Shares or PF1 Ordinary Shares to the extent permitted by law.

PF2 has not disclosed in the Bidder's Statement or otherwise as to whether it has formed a view as to how it intends to proceed in these circumstances.

9. Risks of accepting the Offer

PF1 A Class Shareholders who accept the Offer will receive PF2 A Class Shares as consideration and will be exposed to the same risks as existing PF2 A Class Shareholders. A summary of those risks is set out below:

- (a) PF2 relies on a number of key personnel;
- (b) the Offer Consideration comprises solely of PF2 A Class Shares which are relatively illiquid;
- (c) the value of PF2 A Class Shares are subject to stock market fluctuations and may rise or fall from day to day;
- (d) PF2 may not be able to achieve all of the potential benefits set out in the Bidder's Statement;
- (e) PF2 may not be able to dispose of PF1's property investments when desired or for their book value; and
- (f) the future earnings of PF2 and the value of its investments may be materially affected by general economic climate and other factors.

A more complete description of the risks associated with accepting the Offer are set out in section 5 of the Bidder's Statement. The list of risk factors may not be exhaustive of the risks faced by PF2 or shareholders of PF2.

PF1 A Class Shareholders are encouraged to read the whole of the Bidder's Statement and this Target's Statement and seek professional advice from your solicitor, accountant or other professional adviser before accepting the Offer.

Section G - Other Material Information

1. Share capital

As at the date of this Target's Statement, PF1 has the following securities on issue:

- (a) 4,513,001 PF1 A Class Shares; and
- (b) 1,250,000 Ordinary Shares.

The Ordinary Shares are not listed on the NSX. The Offer has not been made in respect of the Ordinary Shares.

2. Taxation considerations

2.1 General

The following is a general description of the Australian income tax consequences for PF1 A Class Shareholders who accept the Offer. The comments below are relevant only to those PF1 A Class Shareholders who:

- (a) hold their PF1 A Class Shares as capital assets for the purposes of investment, and not for the purposes of speculation or a business of dealing in securities;
- (b) did not acquire their PF1 A Class Shares pursuant to an employee share or option plan;
- (c) are not a bank, insurance company, tax exempt organisation or superannuation fund that is subject to special tax rules; and
- (d) are not Australian residents for tax purposes that hold their securities as an asset of a permanent establishment in Australia.

The following discussion is based upon the taxation law and practice in effect as at the date of this Target's Statement, and is limited to a general consideration of the taxation issues relating to the Offer and not the Buy-Back Offer. It does not constitute taxation advice and is not intended to be an authoritative or complete analysis of the taxation laws of Australia applying to the specific circumstances of any particular PF1 A Class Shareholder. Each PF1 A Class Shareholder is encouraged to consult his or her own professional adviser regarding the Australian tax consequences of acquiring, holding or disposing of PF1 A Class Shares in light of that shareholder's particular circumstances.

2.2 Australian resident PF1 A Class Shareholders

For a PF1 A Class Shareholder who is an Australian resident for Australian tax purposes, the disposal of PF1 A Class Shares following acceptance of the Offer will generally have capital gains tax (CGT) implications.

The CGT implications of a disposal of PF1 A Class Shares pursuant to acceptance of the Offer will depend upon a number of factors including the taxpayer status of the PF1 A Class Shareholder.

A capital gain will arise for the PF1 A Class Shareholder if the Offer Consideration per PF1 A Class Share exceeds the cost base of the shareholder's PF1 A Class Shares. The capital gain will be included in the assessable income of the PF1 A Class Shareholder.

For CGT purposes, the cost base of the PF1 A Class Shares would generally include the amount paid to acquire those shares plus any incidental costs of acquisition (for example, brokerage fees and stamp duty).

If an individual or trust has held the PF1 A Class Shares for at least 12 months, they may be entitled to apply a 50% discount on the realised capital gain, being the difference between the capital proceeds and the cost base of the PF1 A Class Shares. Under the capital gain rules, any capital losses available to the PF1 A Class Shareholder will be applied to reduce the realised capital gain before reducing that gain by the 50% discount to calculate the amount included in assessable income.

A capital loss will result if the capital proceeds received are less than the cost base of the PF1 A Class Shares. A capital loss may be used to offset capital gains derived in the same or subsequent years of income. A capital loss cannot be offset against ordinary income.

However, if the takeover bid results in PF2 acquiring 80% or more of the PF1 A Class Shares, any capital gain from the disposal of those shares by PF1 A Class Shareholders may be deferred until a later date. This is commonly referred to as the "CGT scrip-for-scrip rollover relief", which may allow PF1 A Class Shareholders to defer any CGT liability until the subsequent disposal of their PF2 A Class Shares in certain circumstances. PF1 A Class Shareholders should seek further independent advice on the availability of this "CGT scrip-for-scrip rollover relief" and its implications.

2.3 PF1 A Class Shareholders who are not Australian residents

The tax implications for a non-resident PF1 A Class Shareholder who holds PF1 A Class Shares through a permanent establishment in Australia are generally the same as set out in section 2.2 above.

For a PF1 A Class Shareholder who is:

- (a) not a resident of Australia for Australian tax purposes; and
- (b) does not hold the PF1 A Class Shares through an Australian permanent establishment,

Australian CGT implications on the disposal of the PF1 A Class Shares pursuant to the acceptance of the Offer will only arise if:

- (c) that PF1 A Class Shareholder together with its Associates held 10% or more of the shares of PF1 at the time of disposal or for any continuous 12 month period within two years preceding the disposal; and
- (d) more than 50% of PF1's value is due to direct or indirect interests in Australian real property.

PF1 expects that as a result of its Australian property assets, the requirement in paragraph (d) above will be satisfied. Therefore, a non-resident PF1 A Class Shareholder that satisfies the requirement in paragraph (c) above should obtain independent advice as to the tax implications of sale.

2.4 Stamp duty

Any stamp duty payable on the transfer of PF1 A Class Shares to PF2 pursuant to the Offer will be paid by PF2.

2.5 GST

In accordance with current GST law, the disposal of PF1 A Class Shares pursuant to the Offer will not be subject to GST.

3. Benefits and agreements

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of PF1 or a related body corporate of PF1.

There are no agreements made between any Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of PF1 A Class Shares.

No Director has agreed to receive, or is entitled to receive, any benefit from PF2 which is conditional on, or is related to, the Offer other than in their capacity as a holder of PF1 A Class Shares.

No Director has any interest in any contract entered into by PF2.

4. Director's interests in PF1

As at the date of this Target's Statement, the Directors have the following interests, either directly or indirectly, in PF1 A Class Shares:

Director	PF1 A Class Shares	Ordinary Shares	Total % of issued capital
Peter Spann	633,000	1,250,000	32.67
Howard Woolcott	0	0	0
Jodie Stainton	0	0	0

5. Interests of substantial shareholders

As at the date of this Target's Statement, the following persons were substantial shareholders in PF1:

Substantial shareholder	PF1 A Class Shares	Ordinary Shares	Relevant Interest %
Fox Invest Limited	633,000	0	10.98
Fox Portfolio Pty Ltd	0	1,250,000	21.69

6. Directors interests in PF2

6.1 Shares and other securities in PF2

Fox Portfolio Pty Ltd, a company associated with Peter Spann holds 100,000 PF2 A Class Shares, constituting 3.31% of the issued capital of PF2.

As at 31 December 2008, PF1 held 103,499 PF2 A Class Shares. The PF2 A Class Shares were valued at \$59,169 in PF1's balance sheet as at 31 December 2008.

Other than as disclosed above or elsewhere in this Target's Statement or contained in the Bidder's Statement, no Director holds any shares or other securities in PF2 or a Related Body Corporate of PF2 and no Director has acquired or disposed of PF2 shares in the last four months.

6.2 Agreements with PF2

Other than as disclosed above or elsewhere in this Target's Statement or contained in the Bidder's Statement, no Directors are party to any agreements with PF2 or a Related Body Corporate of PF2 or have an interest in any contract entered into by PF2 or a Related Body Corporate of PF2.

6.3 Directorships

Peter Spann and Howard Woolcott are directors of both PF1 and PF2.

6.4 Other material information

Except as set out above and elsewhere in this Target's Statement and in the Bidder's Statement, no Director has any interest, whether as a director, shareholder or creditor of PF1 or otherwise, which is material to the Offer.

7. Material contracts

To the knowledge of the Directors, no material contracts to which PF1 is a party contain change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer.

8. Material litigation

The Directors are not aware of any material litigation that is currently on foot.

9. No other material information

This Target's Statement is required to include all the information that PF1 A Class Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for PF1 A Class Shareholders and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any Director.

The Directors are of the opinion that the information that the PF1 A Class Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- (c) the information contained in the Bidder's Statement (to the extent the information is not inconsistent with or superseded by information contained in this Target's Statement);
- (d) the information contained in PF1's releases to the NSX and the documents lodged by PF1 with ASIC, before the date of this Target's Statement; and
- (e) the information contained in this Target's Statement.

10. ASIC modifications and exemptions

PF1 has not obtained, or applied to ASIC for any modifications of, or exemptions from, the Corporations Act in relation to this Target's Statement.

However, ASIC has published various instruments providing for modifications and exemptions that apply generally to all persons, including PF1. In particular, PF1 relies on ASIC Class Order 01/1543 which permits the Target's Statement to include, or be accompanied by, certain statements which are made, or based on, statement made in documents lodged with the NSX in accordance with the NSX Listing Rules or documents lodged with ASIC. As required by the class order, PF1 will make available a copy of these documents free of charge to any PF1 A Class Shareholder who requests a copy. To request a copy of any document, please contact PF1 on (07) 3031 9971.

If the conditions set out in the class order are satisfied, the consent of the person to whom a relevant statement is attributed is not required for that statement to be included in this Target's Statement.

11. Consents

The following persons have given and have not, before the date of issue of this Target's Statement, withdrawn their consent to:

- (a) be named in this Target's Statement in the form and context in which they are named; and
- (b) the inclusion of other statements in this Target's Statement which are based on or referable to statements made in the reports or statements noted next to their names, or which are based on or referable to other statements made by those persons, in the form and context in which they are included.

Name of person	Capacity	Reports or statements
Peter Spann	Director	Statements made by, or statements based on statements made by, the Directors
Howard Woolcott	Director	Statements made by, or statements based on statements made by, the Directors
Jodie Stainton	Independent Director	Statements made by, or statements based on statements made by, the Independent Director and the Directors
William Buck	Independent Valuer	Section J
HWL Ebsworth Lawyers	Legal advisers	Nil
Link Market Services Limited	Share registry	Nil

Each of the persons named above:

- (a) does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and

- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this section with the person's consent.

None of William Buck, HWL Ebsworth Lawyers or Link Market Services Limited has authorised or caused the issue of this Target's Statement.

Section H - Glossary

1. Definitions

The following definitions are used in the Target's Statement:

AEST means Australian Eastern Standard Time;

ASIC means the Australian Securities and Investments Commission;

Associate has the meaning given to that term in Part 1.2, Division 2 of the Corporations Act and **Associates** means any two or more of them;

Bidder's Statement means the bidder's statement dated 22 May 2009 lodged by PF2 on that date;

Board or **Board of Directors** means the board of Directors of PF1;

Buy-Back Offer means the buy-back offer made by PF1 to PF1 A Class Shareholders on 8 May 2009 to acquire 40% of the PF1 A Class Shares held by each PF1 A Class Shareholder at \$0.55 per share;

CGT means capital gains tax;

Chairperson means chairperson of PF1;

CHESS means the Clearing House of Electronic Subregister System, which provides for electronic transfer of securities in Australia;

CHESS Holding means a holding of PF1 A Class Shares on CHESS;

Corporations Act means the *Corporations Act*, 2001 (Cth);

Directors mean the directors of PF1;

GST means the goods and services tax imposed under the *A New Tax System (Goods and Services Tax) Act* 1999 (Cth) and related imposition acts of the Commonwealth of Australia;

Independent Director means the independent director of PF1, Jodie Stainton;

Independent Expert Report means the independent expert report set out in Section J;

Issuer Sponsored Holding means a holding of PF1 A Class Shares on PF1's issuer sponsored subregister;

NSX means National Stock Exchange of Australia Limited and the financial market it operates;

NSX Listing Rules means the official listing rules of the NSX;

NTA means net tangible assets;

Offer means the offer by PF2 to acquire all of the PF1 A Class Shares on issue in consideration for nine PF2 A Class Shares for every 10 PF1 A Class Shares held by PF1 A Class Shareholders;

Offer Consideration means nine PF2 A Class Shares for every 10 PF1 A Class Shares held by PF1 A Class Shareholders;

Offer Period means the period commencing on 18 June 2009 and ending at 7.00pm AEST on 31 August 2009;

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

PF1 A Class Share means a fully paid A class share in the issued capital of PF1 and **PF1 A Class Shares** means any two or more of them;

PF1 A Class Shareholder means a holder of a PF1 A Class Share and **PF1 A Class Shareholders** means any two or more of them;

PF1 Constitution means the constitution of PF1, as amended from time to time;

PF1 Ordinary Share means a fully paid ordinary share in the issued capital of PF1 and **PF1 Ordinary Shares** means any two or more of them;

PF2 means Property Fox No. 2 Limited ACN 108 076 295;

PF2 A Class Share means a fully paid A class share in the issued capital of PF2 and **PF2 A Class Shares** means any two or more of them;

PF2 A Class Shareholder means a holder of a PF2 A Class Share and **PF2 A Class Shareholders** means any two or more of them;

Register Date means 7.00pm (Brisbane time) on 12 June 2009;

Related Body Corporate has the meaning given to that term by section 50 of the Corporations Act;

Relevant Interest has the meaning ascribed to that term by sections 608 and 609 of the Corporations Act;

Target's Statement means this document, being the statement of PF1 under Part 6.5 Division 3 of the Corporations Act in response to the Offer; and

VWAP means volume weighted average price.

2. Interpretation

For the purposes of interpreting the Target's Statement:

- (a) the singular includes the plural and vice versa;
- (b) words importing any gender include the other genders;
- (c) reference to any statute, ordinance, regulation, rule or other law includes all regulations and other instruments and all consolidations, amendments, re-enactments or replacements for the time being in force;
- (d) all headings, bold typing and italics (if any) have been inserted for convenience of reference only and do not define, limit or affect the meaning or interpretation of the Target's Statement;
- (e) reference to persons includes bodies corporate and government authorities and in each and every case, includes a reference to the person's executors, administrators, successors and substitutes (including without limitation persons taking by novation and assignment); and
- (f) reference to **\$, A\$, Australian Dollars** or **dollars** is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia.

Section I - Authorisation

This Target's Statement has been approved by a resolution passed by the Directors of PF1.

Signed for and on behalf of PF1:

A handwritten signature in black ink, appearing to read 'J Stainton', with a long horizontal line extending to the right.

Jodie Stainton
Independent Director

3 July 2009

Section J - Independent Expert Report

3 July 2009

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 (“**PF1**” 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 Property Fox No. 2 Limited (“**PF2**” or the “**Bidder**”) to acquire all of the A class shares of PF1 for a total scrip consideration equating to nine A class shares in PF2 (“**PF2 A Class Shares**”) for every ten A class shares in PF1 (“**PF1 A Class Shares**”) shares held.

The Offer is for 100% of the PF1 A Class Shares, with a minimum acceptance of 64% required.

Our Report has been prepared solely for the purpose of assisting the PF1 A Class shareholders in considering whether or not the Offer is fair and reasonable to them.

2. Summary of Opinion

We have considered the terms of the Offer as set out in the Target Statement and conclude that the **Offer is not fair but reasonable** to the holders of PF1 A Class Shares.

A summary of the analysis undertaken to reach the above opinion is set out below.

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

Fairness Assessment

ASIC Regulatory Guide 111 (“**RG111**”) states that an offer is “fair” if:

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

Based on the above, we have assessed whether or not the Offer is fair to the holders of PF1 A Class Shares with reference to the value of all the PF1 A Class Shares that PF2 proposes to acquire and the consideration offered by PF2 for the PF1 A Class Shares.

The results of our analysis are summarised in the table below.

Fairness Assessment

	Section Reference	Amount
No. of new PF2 A Class Shares to be issued per PF1 A Class Share		0.90
Assessed Value per PF2 A Class Share	8.2	\$0.5421
Value of Consideration Offered per PF1 A Class Share		\$0.4879
Assessed Value per PF1 A Class Share	7.3	\$0.4986

Source: William Buck analysis

As demonstrated above our assessed value of the consideration offered by PF2 is less than our assessed value for 100% of the PF1 A Class Shares being acquired.

In our opinion, the Offer is **not fair** to the PF1 A Class Shareholders when assessed based on the guidelines set out in RG 111.

Reasonableness Assessment

Despite our conclusion that the Offer is not fair, RG 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

- If the takeover of PF1 is successful, the combined entity would have a higher number of shares on issue and a higher market capitalisation which may result in improved liquidity of the shares. The combined entity could also potentially gain easier access to capital compared to if the entities attempted to secure capital on a standalone basis.
- If the takeover bid is successful, the combined entity may achieve cost savings in relation to operating costs and the costs of maintaining only one listed entity as opposed to two.
- PF1 A Class Shareholders' dividend entitlement will increase once they become PF2 A Class Shareholders.
- Even though PF1 A Class Shareholders' voting rights would be diluted if the Offer is successful they would still collectively retain control of the combined entity.

Disadvantages

- The consideration under the Offer represents a discount to the assessed market value of PF1 A Class Shares. We note, however that the discount is only marginal amounting to approximately 2.15% of the assessed market value of PF1 A Class Shares.
- The consideration under the Offer is less than the \$0.55 per share cash consideration offered to PF1 A Class Shareholders under the share buy-back which is currently underway. Whilst the share buy-back offer only applies to 40% of each PF1 A Class Shareholder's holding, the Offer presents a discount of \$0.05 per PF1 A Class Share for the relevant 40% of each PF1 A Class Shareholder's shares.
- Under the Offer, the PF1 A Class Shareholders would receive shares in another listed entity which is also relatively illiquid. If the Offer is successful, however, it would result in a higher number of PF2 A Class Shares on issue and a higher number of shareholders, which may lead to increased trading activity and hence liquidity in the shares.

Conclusion

Based on the above assessments we have concluded that the Offer is **not fair but reasonable**.

3. General Advice

In forming our opinion, we have considered the interests of the PF1 A Class Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of the individual PF1 A Class Shareholders. It is neither practical nor possible to assess the implications of the Offer on individual PF1 A Class Shareholders as their financial circumstances are unknown.

The decision of the PF1 A Class Shareholders 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 PF1 A Class Shareholders should therefore consider the appropriateness of our opinion before acting on it.

As an individual PF1 A Class Shareholders' decision to approve the Offer may be influenced by his or her particular circumstances, we recommend that individual PF1 A Class Shareholders consult their financial advisers.

4. 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 Property Fox No 2 Limited

Independent Expert Report & Financial Services Guide

July 2009

William Buck
Business Advisors
Chartered Accountants



strategic advice



innovative solutions



service excellence

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Financial Services Guide

Dated 3 July 2009

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 that 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 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 22 May 2009, Property Fox No. 2 Limited ("**PF2**" or the "**Bidder**") announced that it has made an off-market takeover bid to acquire all of the issued A class shares of Property Fox No. 1 Limited ("**PF1**", the "**Company**" or the "**Target**") (the "**Offer**").

PF2 lodged a Bidder's Statement with the Australian Securities and Investments Commission ("**ASIC**") in relation to the Offer on 22 May 2009.

PF1 currently has 4,513,001 fully paid A class shares ("**PF1 A Class Shares**") and 1,250,000 ordinary shares on issue. The PF1 A Class Shares are listed on the National Stock Exchange of Australia ("**NSX**"). The ordinary shares in PF1 are not listed on any securities exchange and are not included in the Offer.

1.2. Purchase Consideration

Under the Offer, the A class shareholders of PF1 ("**PF1 A Class Shareholders**") will receive nine A class shares in PF2 ("**PF2 A Class Shares**") for every ten PF1 A Class Shares held. The Offer values PF1 A Class Shares at \$0.5957 per share as at the date of the Bidder's Statement.

1.3. Conditions of the Offer

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

- 64% minimum acceptance
- None of the "prescribed occurrences" listed in Section 652C of the Corporations Act 2001 occurring during the Offer period. The prescribed occurrences are summarised below:
 - i. PF1 converting all or any of its shares into a larger or smaller number of shares.
 - ii. PF1 resolving to reduce its share capital in any way.
 - iii. PF1 resolving to approve the terms of a buy-back agreement under Section 257C(1) or Section 257D(1) of the Corporations Act.
 - iv. PF1 issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option other than an issue of PF1 shares pursuant to the exercise of an option granted and disclosed by PF1 on the NSX prior to 22 May 2009.

- v. PF1 issuing, or agreeing to issue, convertible notes.
- vi. PF1 disposing, or agreeing to dispose, of the whole or a substantial part of its business or property.
- vii. PF1 charging, or agreeing to charge, the whole or a substantial part, of its business or property.
- viii. PF1 resolving to be wound up.
- ix. A liquidator or provisional liquidator being appointed to PF1.
- x. A court making an order for the winding up of PF1.
- xi. An administrator of PF1 being appointed under Sections 436A, 436B or 436C of the Corporations Act.
- xii. PF1 executing a deed of company arrangement.
- xiii. A receiver or a receiver and manager being appointed in relation to the whole or a substantial part of the property of PF1.
- xiv. Anything analogous to the matters referred to in paragraphs i to xiii occurring in any jurisdiction outside Australia in relation to PF1.

2. Scope of the Report

2.1. Report Requirements

Mr Peter Spann and Mr Howard Woolcott are directors of both the Bidder and the Target. Section 640 of *The Corporations Act 2001* (“**Corporations Act**”) requires that where the Bidder and the Target have common director(s), the target statement must include an independent expert report stating whether, in the expert's opinion, the Offer is fair and reasonable including the reasons for forming that opinion.

William Buck has been commissioned by PF1 to provide an opinion on whether the Offer is fair and reasonable to the PF1 A Class Shareholders to meet the requirements of the Corporations Act. This Report should not be used for any other purpose.

2.2. Basis of Assessment

As there is no legal definition of the expression “fair and reasonable” in the Corporations Act, we have considered guidance provided by ASIC Regulatory Guides in assessing whether the Offer is fair and reasonable from the perspective of PF1 A Class Shareholders.

In particular we have referred to ASIC Regulatory Guide 111 – *Contents of Expert Reports* (“**RG111**”) in determining the basis of our assessment.

For takeover bids made under Section 640 of the Corporations Act, RG111 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 comparison should be made assuming 100% ownership of the ‘target’ and irrespective of whether the consideration is scrip or cash. Further, the comparison should exclude any consideration for the percentage holding of the bidder or its associates in the target.

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.

In undertaking our assessment, we have considered the likely impact on PF1 A Class Shareholders as a whole. We have not considered the likely impact of the Offer on individual shareholders. An individual shareholder will have different financial and tax circumstances. An individual shareholder’s decision on whether to accept or reject the Offer should be based on the individual’s circumstances and as such shareholders should familiarise themselves with the terms of the Offer as set out in the Bidder’s Statement and seek their own professional advice.

2.3. Factors Considered in Determining our Opinion

We have undertaken an analysis of the Offer using the concepts of fair and reasonable as prescribed in RG111. In forming our opinion as to whether the Offer is fair and reasonable to the PF1 A Class Shareholders, we have considered:

- The fair market value of PF1 A Class Shares compared with the value of the consideration offered (fairness).
- Other key matters to which PF1 A Class Shareholders may give consideration, prior to approving the Offer, after reference to the value derived above. Such consideration includes a comparison of the likely advantages and disadvantages to the PF1 A Class Shareholders (reasonableness).

2.4. Valuation Approaches

RG 111 outlines the appropriate methodologies which an expert 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.

Our selected valuation methods are set out in Section 6 of this Report.

2.5. Sources of Information

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

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

The statements and opinions expressed in this Report are made in good faith and have been based on information available as at the date of this Report. On completion of our review, as outlined in the paragraph above, we believe the information to be reliable, accurate, and prepared by PF1 and PF2 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.

3. Profile of PF1

3.1. Background

PF1 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. PF1 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. PF1 would search for properties that fitted the Company's investment criteria and then manage the renovations on behalf of investors.

The Company does not have any wholly owned subsidiaries or any entities which it controls.

3.2. Other Transactions

On 23 December 2008, PF1 announced its intention to conduct an equal access share buy-back of a proportion of the Company's A class shares ("**Share Buy-Back**"). The proposal was subsequently approved by shareholders at a meeting on 5 February 2009.

The details of the Share Buy-Back are summarised as follows:

- Eligible PF1 A Class Shareholders are able to participate in the Share Buy-Back offer which entitles them to sell up to 40% of their holding for a total cash consideration equating to \$0.55 per PF1 A Class Share.
- The closing date of the Share Buy-Back was originally 30 June 2009. An announcement was released to the market on 16 June 2009 which extends this date to 14 July 2009, in order to allow PF1 A Class Shareholders sufficient time to consider PF2's bid with regards to the offer.
- As at 12 June 2009 total acceptances received were 536,000 which equates to approximately 11.88% of the total PF1 A Class Shares on issue.

3.3. Board of Directors

Information regarding PF1's current board members is set out below.

Mr Peter Spann – Chairman, Managing Director and Company Secretary

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 PF2, 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 PF2.

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.

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

PF1's balance sheets as at 30 June 2007, 2008 and 31 December 2008 are summarised below.

PF1 Balance Sheets

	As at		
	31-Dec-08 Audited	30-Jun-08 Audited	30-Jun-07 Audited
Current Assets			
Cash and cash equivalents	1,405,230	1,427,875	1,279,887
Trade and other receivables	51,482	51,864	102,217
Inventories	1,293,111	1,293,111	2,649,111
Financial assets	75,689	283,939	-
Total Current Assets	2,825,512	3,056,789	4,031,215
Non Current Assets			
Financial assets	-	-	353,499
Total Non Current Assets	-	-	353,499
Total Assets	2,825,512	3,056,789	4,384,714
Current Liabilities			
Trade and other payables	111,695	38,615	63,919
Short term borrowings	446,250	446,250	1,166,250
Total Current Liabilities	557,945	484,865	1,230,169
Total Liabilities	557,945	484,865	1,230,169
Net Assets	2,267,567	2,571,924	3,154,545
Equity			
Contributed equity	4,506,711	4,506,711	4,730,350
Retained earnings / (accumulated losses)	(2,239,144)	(1,934,787)	(1,576,229)
Minority interest	-	-	424
Total Equity	2,267,567	2,571,924	3,154,545

Source: PF1 Financial Statements and Review Report for the half-year ended 31 December 2008 and PF1's 2008 Annual Report

We make the following comments with regards to the key assets of PF1:

Cash and Cash Equivalents

As at 31 December 2008 (being the latest publicly available financial information), 49.73% of PF1's total assets consisted of cash and cash equivalents.

Inventories

As at 31 December 2008, PF1's inventories represented 45.77% of total assets and consisted of the following:

- **Fairfield Portfolio**

PF1 owns four units at 38 Vine Street, Fairfield ("**Fairfield Portfolio**"). The units are part of twelve residential units which were acquired by the Company in 2003 and renovated with a view to derive a profit. Eight units were subsequently sold. The owners are in the process of converting the remaining units to strata title from company title. This process has not been completed as at the date of this Report.

- **Toowoomba Portfolio**

PF1 holds a 30% interest in eight properties comprising houses and units located on Healy and Ruthven Streets, Toowoomba, Queensland ("**Toowoomba Portfolio**"). The properties were acquired in 2003 with the intention of holding the assets for a number of years to explore available development opportunities. PF1 co-owns the Toowoomba Portfolio with PF2 (50%) and Freeman Fox Investments Pty Ltd (20%).

Financial Assets

As at 31 December 2008, PF1's financial assets comprised investments in listed and unlisted entities. These investments represented 2.68% of total assets as at 31 December 2008. Details of the investments are summarised below.

- **Fox Riverside Pty Limited ("**Fox Riverside**")**

PF1 holds 2% of the issued shares of Fox Riverside which entitles it to 5.95% of any profit and capital distributions. Fox Riverside is party to a joint venture involving the development of two blocks of riverfront land in Tennyson, Queensland. The two blocks of land were sold on 6 November 2008 for \$2.75 million. On 5 December 2008 PF1 received a cash distribution of \$208,250 from Fox Riverside in relation to the sale of the property.

- **Property Fox No. 2 Limited**

As at 31 December 2008, PF1 held 103,499 PF2 A Class Shares. The PF2 A Class Shares were valued at \$59,169 in PF1's balance sheet as at 31 December 2008.

PF1's consolidated income statements for the years ended 30 June 2007, 2008 and the six months ended and 31 December 2008 are summarised below.

PF1 Income Statements

	For the Six Months Ended	For the Year Ended	
	31-Dec-08 Audited	30-Jun-08 Audited	30-Jun-07 Audited
Revenue			
Sale of properties	-	1,200,000	2,053,125
Cost of Sales			
Sale of properties	-	(1,170,000)	(1,930,162)
Gross Profit on Sale of Properties	-	30,000	122,963
Expenses			
Management fees	(9,359)	(17,135)	(121,310)
Impairment expenses	-	(257,000)	-
Directors fees	(12,600)	(25,200)	(22,275)
Professional fees	(283,108)	(139,682)	(77,366)
Borrowing costs	(22,193)	(39,989)	(138,262)
Body corporate fees	(7,126)	(11,877)	(41,497)
Other expenses	(55,364)	(80,382)	(155,693)
Other Income			
Rental income	43,926	89,925	229,707
Interest received	41,467	92,782	6,423
Profit / (Loss) From Ordinary Activities Before Income Tax	(304,357)	(358,558)	(197,310)
Income tax expense / (benefit) relating to ordinary activities	-	-	-
Profit / (Loss) From Ordinary Activities After Related Income Tax Expense	(304,357)	(358,558)	(197,310)

Source: PF1 Financial Statements and Review Report for the half-year ended 31 December 2008 and PF1's 2008 Annual Report

3.5. Capital Structure

Information regarding PF1's capital structure is detailed below.

PF1 A Class Shares

As at the date of this Report, PF1 had 4,513,001 A class shares on issue. The PF1 A Class Shares are listed on the NSX.

PF1 A Class Shareholders 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. PF1 A Class Shareholders also have the right to vote at all meetings of members of the Company with each PF1 A Class Share entitling its holder to one vote.

The top 10 shareholders of PF1 A Class Shares and their respective holdings before cancellation of shares relating to Share Buy-Back acceptances received are shown in the table below.

PF1 Top 10 Shareholders

Shareholder Name	No. of Shares	% of Issued Capital
Fox Invest Limited	633,000	14.03%
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%
Quest Invest Pty Ltd	80,000	1.77%
Melcrag 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%
Chalice Roughan <Chalanmon Super Fund A/C>	40,000	0.89%
Top 10 Shareholders	1,373,000	30.42%
Total Shareholders	4,513,001	100.00%

Source: PF1, 30 May 2009

A summary of PF1 A Class Shareholder spread before cancellation of shares relating to Share Buy-Back acceptances received is set out below.

PF1 Shareholder Spread

Range	No. of Shareholders	No. of Shares
1 to 1000	1	1
1001 to 5000	-	-
5001 to 10000	2	20,000
10001 to 100000	146	3,740,000
100001 and Over	2	753,000
Total	151	4,513,001

Source: PF1, 30 May 2009

Ordinary Shares

As at the date of this Report, PF1 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 PF2

4.1. Background

PF2 was incorporated on 20 February 2004 to undertake property investment activities. The company holds a small but diversified portfolio of residential property. Its mandate is to acquire property with development potential and over time to realise that potential.

The business was established by Mr Peter Spann, founder of the Freeman Fox group of companies. PF2 was admitted to the official list of the NSX on 28 February 2007 and trading of its A class shares commenced on 28 February 2007 (NSX Code: PFAB).

The company does not have any wholly owned subsidiaries or any entities which it controls.

4.2. Board of Directors

Information regarding PF2's current board members is set out below.

Mr Peter Spann – Chairman, Managing Director and Company Secretary

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 PF1, 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 PF1.

Mr Benjamin Doyle – Executive Director

Mr Doyle is a director of the Fiducia Property Group and a licensed real estate agent in NSW. He has significant experience in the acquisition, renovation, design and marketing of property. Mr Doyle is also the managing director of THINK Property Management which is a boutique property management company with a focus on investors and development and management of rental properties.

Mr Peter Conway – Executive Director

Mr Conway has been involved in the stockbroking industry for approximately 40 years working in the operational, managerial and administration areas of stockbroking. Mr Conway has served as a director of Etrade Australia, ANZ Securities Limited, Ord Minnett Group Limited as well as holding the positions of operations manager of Were Stockbroking and head of Retail Stockbroking at Salomon Smith Barney.

Mr Conway is a Member of the Australian Securities Exchange and a Member of the Securities and Derivatives Association of Australia at the level of Master Stockbroker.

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.

4.3. Historical Financial Information

PF2's balance sheets as at 30 June 2007, 2008 and 31 December 2008 are summarised below.

PF2 Balance Sheets

	As at		
	31-Dec-08 Audited	30-Jun-08 Audited	30-Jun-07 Audited
Current Assets			
Cash and cash equivalents	1,090,809	97,983	81,914
Trade and other receivables	-	-	682
Other current assets	15,103	8,602	26,279
Total Current Assets	1,105,912	106,585	108,875
Non-Current Assets			
Investments accounted for using the equity method	150,958	1,299,522	1,390,823
Property	1,622,641	1,498,391	1,335,233
Total Non-Current Assets	1,773,599	2,797,913	2,726,056
Total Assets	2,879,511	2,904,498	2,834,931
Current Liabilities			
Trade and other payables	47,860	34,898	97,273
Short term borrowings	834,125	834,088	834,088
Total Current Liabilities	881,985	868,986	931,361
Total Liabilities	881,985	868,986	931,361
Net Assets	1,997,526	2,035,512	1,903,570
Equity			
Contributed equity	2,642,220	2,642,220	2,642,220
Reserves	304,805	180,555	17,490
Retained earnings / (accumulated losses)	(949,499)	(787,263)	(756,140)
Total Equity	1,997,526	2,035,512	1,903,570

Source: PF2 Financial Statements and Review Report for the half-year ended 31 December 2008 and PF2's 2008 Annual Report.

We make the following comments with regards to the key assets of PF2:

Cash and Cash Equivalents

As at 31 December 2008 (being the latest publicly available financial information), 37.88% of PF2's total assets consisted of cash and cash equivalents.

Properties

As at 31 December 2008, PF2's properties represented 56.35% of total assets. Details of the properties are summarised below.

■ Toowoomba Portfolio

PF2 held a 50% interest in eight properties comprising houses and units located on Healy and Ruthven Streets, Toowoomba, Queensland (Toowoomba Portfolio). The properties were acquired in 2003 with the intention of holding the assets for a number of years to explore available development opportunities. PF2 co-owns the Toowoomba Portfolio with PF1 (30%) and Freeman Fox Investments Pty Ltd (20%). PF2 has taken a loan with PF1 on the portfolio amounting to \$1.19 million which represented 80% of the acquisition cost for the Toowoomba Portfolio.

Investments

As at 31 December 2008, Investments accounted for 5.24% of total assets. Details of the investments are provided below.

■ Fox Riverside

PF2 holds 49% of the issued shares of Fox Riverside which entitles it to 31.17% of any profit and capital distributions. Fox Riverside 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 later sold on 6 November 2008 for \$2.75 million. On 5 December 2008 PF2 received a cash distribution of \$1,090,950 from Fox Riverside in relation to the sale of the property.

■ Joint venture with Fox Riverside No. 2 Pty Limited

PF2 holds a 5% interest in a joint venture with Fox Riverside No. 2 Pty Limited which predominantly holds real property on the Brisbane River at Anstead, Queensland with future development potential.

PF2's income statements as at 30 June 2007, 2008 and 31 December 2008 are summarised below.

PF2 Income Statements

	For the Six Months Ended	For the Year Ended	
	31-Dec-08 \$	30-Jun-08 \$	30-Jun-07 \$
Revenue			
Rental income	35,486	64,036	63,007
Interest received	4,269	3,655	8,306
Share of net (loss) / profit of associates	(57,614)	158,700	(32,880)
Expenses			
Management fees	(6,000)	(12,000)	(87,114)
Professional fees	(25,496)	(54,869)	(29,267)
Directors fees	(12,200)	(25,200)	(25,678)
Finance costs	(31,298)	(55,918)	(47,044)
NSX listing costs	(3,034)	(6,675)	(29,563)
Property costs	(24,562)	(35,840)	(30,311)
Other expenses from ordinary activities	(41,788)	(67,012)	(38,345)
Profit / (Loss) From Ordinary Activities Before Income Tax	(162,237)	(31,123)	(248,889)
Income tax expense / (benefit) relating to ordinary activities	-	-	-
Profit / (Loss) From Ordinary Activities After Related Income Tax Expense	(162,237)	(31,123)	(248,889)

Source: PF2 Financial Statements and Review Report for the half-year ended 31 December 2008 and PF2's 2008 Annual Report.

4.4. Capital Structure

Information regarding PF2's current capital structure is detailed below.

PF2 A Class Shares

As at the date of this Report, PF2 had 3,017,999 A class shares on issue. The PF2 A Class Shares are listed on the NSX.

PF2 A Class Shareholders have the right to collectively receive 100% of all dividends declared by PF2 and to collectively receive 100% of any distribution of capital upon a winding up of PF2. PF2 A Class Shareholders also have the right to vote at all meetings of members of PF2 with each share entitling its holder to one vote.

The top 10 shareholders of PF2 A Class Shares and their respective holdings are shown below.

PF2 Top 10 Shareholders

Shareholder Name	No. of Shares	% Of issued Capital
Property Fox No. 1 Limited	103,499	3.43%
Fox Portfolio Pty Ltd	100,000	3.31%
Trevor John O'Shea & Joanna Elsie O'Shea	50,000	1.66%
Ramon Charles William	50,000	1.66%
Francis Stuart Albrecht & Ann Violet Albrecht	40,000	1.33%
L & J Martin Pty Ltd	40,000	1.33%
Judith Anne Martin	40,000	1.33%
Peter Richards	40,000	1.33%
Strategic Team Leadership Pty Ltd	40,000	1.33%
Bekl Investments Pty Ltd	35,000	1.16%
Top 10 Shareholders	538,499	17.84%
Total Shareholders	3,017,999	100.00%

Source: Bidder's Statement, 22 May 2009

* Pursuant to the requirements of the Corporations Act, the A Class Shares held by PF1 in PF2 as shown above would need to be cancelled if the Offer is successful.

A summary of PF2 A Class Shareholder spread is set out below.

PF2 Shareholder Spread

Range	No. of Shareholders	No. of Shares
1 to 1000	-	-
1001 to 5000	1	5,000
5001 to 10000	107	1,070,000
10001 to 100000	78	1,839,500
100001 and Over	1	103,499
Total	187	3,017,999

Source: Bidder's Statement, 22 May 2009

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.

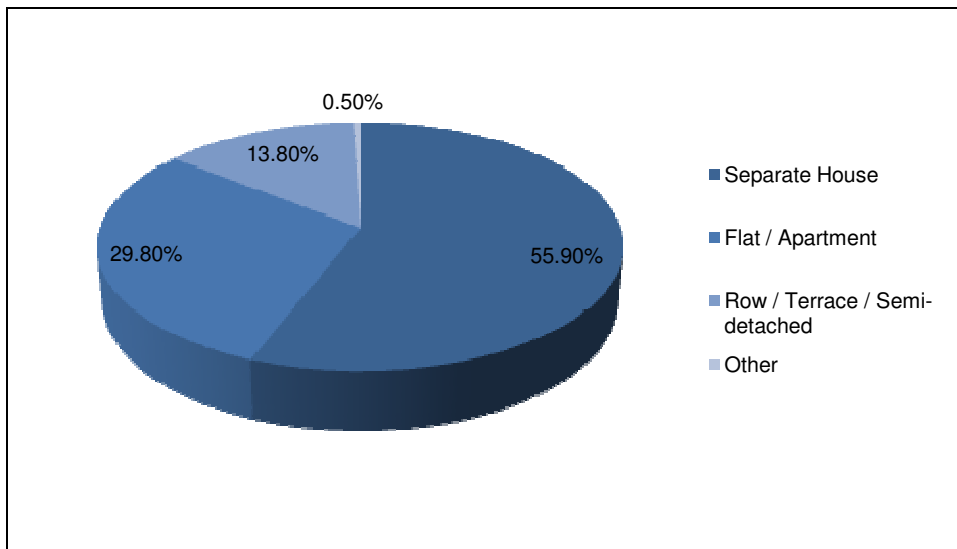
Segmentation

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, 16 March 2009

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.

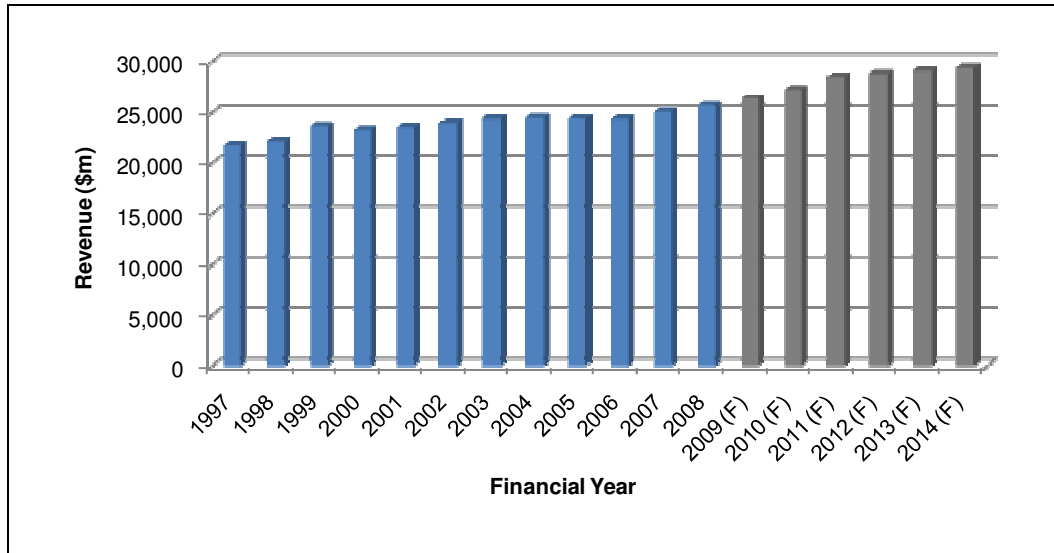
An understanding of the market is critical in this industry. Competitors must pay attention to key indicators for demand levels in the market such as mortgage rates, housing affordability, population growth rates and residential property yields. The ability to identify cyclical trends in the industry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

Historical Industry Performance

The industry has experienced strong growth during the 2007 and 2008 financial years, achieving average 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, 16 March 2009

Total industry revenue was estimated at \$25.7 billion for the 2008 financial year, representing an increase of approximately 2.5% 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 lower 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. Selected Valuation Methodologies

Valuation methodologies commonly used in the valuation of shares are summarised at Appendix D.

In accordance with our adopted basis of evaluation set out in Section 2.2, we have considered the fairness of the Offer by comparing the value of the interest being acquired (i.e. all of the PF1 A Class Shares) to the consideration being offered (i.e. nine PF2 A Class Shares for every ten PF1 A Class Shares held).

Our selected valuation methodology for assessing each element of the Offer is set out below.

6.1. Valuation of Interest to be Acquired – PF1 A Class Shares

We have selected the orderly realisation of assets method to value the PF1 A Class Shares. This method is appropriate given that:

- No reliable estimates of future cash flows are available to enable us to apply the DCF valuation method.
- PF1 is currently loss-making and does not have a profitable trading history which would support the application of the capitalisation of estimated future maintainable earnings valuation method.
- PF1's share trading on the NSX is not sufficiently liquid to enable the use of quoted market price as a reliable basis for valuing the PF1 A Class Shares. PF1's A class shares have only registered three transactions in the twelve months preceding the announcement of the Offer, at a total volume traded of 1.33% during the period.
- PF1's core revenue-generating assets consist of real-estate assets. The value of these assets is recognised on the balance sheet. Valuations based on asset-based approaches would best reflect the underlying nature of the business of PF1 compared to an earnings-based approach.

We have considered recent genuine offers received by the Company for the PF1 A Class Shares as a supporting valuation methodology.

Full details of our valuation of the PF1 A Class Shares is included at Section 7 of this Report.

6.2. Valuation of Consideration Offered – PF2 A Class Shares

We have selected the orderly realisation of assets method to value the PF2 A Class Shares. This method is appropriate for the following reasons:

- No reliable estimates of future cash flows are available to enable us to apply the DCF valuation method.
- PF2 is currently loss-making and does not have a profitable trading history which supports the application of the capitalisation of estimated future maintainable earnings valuation method.
- PF2's share trading on the NSX is not sufficiently liquid to enable the use of quoted market price as a reliable basis for valuing the PF2 A Class Shares. PF2's A class shares have only registered three transactions in the twelve months preceding the announcement of the Offer, at a total volume traded of 0.99% for the period.
- PF2's core revenue-generating assets consist of real-estate assets. The value of these assets is recognised on the balance sheet. Valuations based on asset-based approaches would best reflect the underlying nature of the business of PF2 compared to an earnings-based approach.

Our review of PF2's announcements indicates that PF2 has not received any recent genuine offers for the PF2 A Class Shares. As such, no secondary valuation method was used to assess the value of PF2 A Class Shares. We have only relied on the orderly realisation of assets method to value the PF2 A Class Shares.

Full details of our valuation of the PF2 A Class Shares is included at Section 8 of this Report.

7. Valuation of PF1

7.1. Orderly Realisation of Assets Method

The orderly realisation of assets approach has been selected as the primary methodology to assess the value of the PF1 A Class Shares. The key consideration for this assessment is PF1's net assets. We have reviewed PF1's net assets as at 31 December 2008 (being the latest publicly available financial information) and have made pro-forma adjustments to:

- Reflect the current position of the business since 31 December 2008.
- Reflect the current market value of the inventories and financial assets of PF1.
- Reflect the estimated costs required to be incurred to realise the value of the inventories and financial assets of PF1.
- Reflect the effect of the current acceptance level of the Share Buy-Back offer upon the cancellation of these shares.

Details of the adjustments made and the resulting pro-forma net asset position are set out below.

7.1.1 Pro-Forma Balance Sheet

The following table sets out the audited balance sheet of PF1 as at 31 December 2008, the pro-forma adjustments made and the resulting pro-forma balance sheet as at 31 December 2008.

Pro-Forma Balance Sheet of PF1 as at 31 December 2008

	Ref	31/12/2008 Audited	Pro-Forma Adjustments	Pro-Forma Adjusted
Current Assets				
Cash and cash equivalents	1	1,405,230	(530,191)	875,039
Trade and other receivables	2	51,482	292	51,774
Inventories	3	1,293,111	186,139	1,479,250
Financial assets	4	75,689	(6,384)	69,305
Total Current Assets		2,825,512	(350,144)	2,475,368
Total Assets		2,825,512	(350,144)	2,475,368
Current Liabilities				
Trade and other payables	5	111,695	(65,396)	46,299
Short term borrowings		446,250	-	446,250
Total Current Liabilities		557,945	(65,396)	492,549
Total Liabilities		557,945	(65,396)	492,549
Net Assets		2,267,567	(284,748)	1,982,819
Equity				
Contributed equity	6	4,506,711	(294,800)	4,211,911
Revaluation reserve	7	-	186,139	186,139
Retained earnings	8	(2,239,144)	(176,087)	(2,415,231)
Total Equity		2,267,567	(284,748)	1,982,819

Source: PF1 Financial Statements and Review Report for the half-year ended 31 December 2008, unaudited management accounts for the ten months ended 30 April 2009 and William Buck's assessment

Note 1: Cash and cash equivalents

- Reduction in cash of \$294,800 has been assumed to include the effect of the cancellation of PF1 A Class Shares under the Share Buy-Back on the basis that acceptances for 11.88% of PF1 A Class Shares have been received.
- The remainder of the reduction relates to movements which have occurred since 31 December 2008, being the date of the latest publicly available financial information.

Note 2: Trade and other receivables

- The increase relates to movements which have occurred since 31 December 2008, being the date of the latest publicly available information.

Note 3: Inventories

- Increase in inventories of \$55,900 relates to the revaluation of the Fairfield Portfolio at market value less selling costs estimated at 3% of market valuation.
- Increase in inventories of \$130,239 relates to the revaluation of the Toowoomba Portfolio at market value less selling costs estimated at 3% of market valuation.

Note 4: Financial assets

- Decrease in financial assets of \$3,334 relates to the revaluation of the investment in Fox Riverside.
- Decrease in financial assets of \$3,050 relates to the revaluation of the investment in PF2.

Note 5: Trade and other payables

- The increase relates to movements which have occurred since 31 December 2008, being the date of the latest publicly available financial information.

Note 6: Contributed equity

- The balance of contributed equity has been reduced by \$294,800 to include the effect of the cancellation of PF1 A Class Shares under the Share Buy-Back on the basis that acceptances for 11.88% of the PF1 A Class Shares have been received.

Note 7: Revaluation reserve

- Increase of \$55,900 in inventories relating to the revaluation of the Fairfield Portfolio at market value less selling costs estimated at 3% of market valuation.
- Increase of \$130,239 in inventories relating to the revaluation of the Toowoomba Portfolio at market value less selling costs estimated at 3% of market valuation.

Note 8: Retained earnings

- Decrease in financial assets of \$3,334 relating to the revaluation of the investment in Fox Riverside.
- Decrease in financial assets of \$3,050 relating to the revaluation of the investment in PF2.
- Movements which have occurred since 31 December 2008, being the date of the latest publicly available information.

7.1.2 Valuation Calculation

Based on the pro-forma balance sheet presented in Section 7.1.1, the value of each PF1 A Class Share has been determined as set out below.

Valuation of PF1 A Class Shares

	Section Ref	
PF1's Pro-Forma Net Assets	7.1	\$1,982,819
Intangible Assets	Note 1	-
Deferred Tax Assets/Liabilities	Note 2	-
Value of 100% of PF1		\$1,982,819
No. of PF1 A Class Shares*	Note 3	3,977,001
Value per PF1 A Class Share	Note 4	\$0.4986

Source: William Buck's assessment

*Assuming cancellation of 536,000 PF1 A Class Shares under the Share Buy-Back based on acceptances received to 12 June 2009

Note 1: Intangible Assets

PF1 has no intangible assets recognised in its balance sheet and we are not aware of any intangible assets which would require consideration as part of our valuation.

Note 2: Deferred Tax Assets and Liabilities

No deferred taxation assets or liabilities have been recognised as PF1 has significant tax losses carried forward from previous years and deferred income tax assets are only recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Note 3: Number of PF1 A Class Shares

As at the date of our assessment, acceptances have been received with regards to the Share Buy-Back of approximately 536,000 PF1 A Class Shares. The number of PF1 A Class Shares assumed in our assessment reflects the number of A Class Shares remaining after these shares have been cancelled.

Note 4: Value of 100% of PF1

As noted in Section 3, PF1 also has ordinary shares on issue which do not form part of the Offer. We have assessed the value of PF1 in accordance with RG111's guidelines where the target is valued assuming 100% ownership of the target. In our opinion this approach is appropriate as the holders of ordinary shares in PF1 have no entitlement to a distribution of capital.

7.1.3 Premium for Control

RG 111 requires that our fairness assessment should be made assuming 100% ownership of PF1. Investment fundamentals dictate that the value of 100% of a company is normally greater than the sum of values attributable to the individual shares of that company based on transactions in minority share holdings.

As our valuation of PF1 uses the orderly realisation of assets method, our view is that a 100% owner of PF1 cannot extract any additional value from realising PF1's assets than a minority holder of PF1 A Class Shares could. We therefore do not consider a premium for control is applicable to PF1.

7.2. Recent Genuine Offers Received

As set out in Section 6.1, we have considered recent genuine offers received by PF1 as a supporting valuation method. At the date of this Report, PF1 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 the Share Buy-Back currently underway.

Pritchard Equity Limited

On 5 August 2008, Pritchard Equity Limited ("**Pritchard**") announced a bid to acquire 100% of PF1's A Class Shares on issue in exchange for scrip in Pritchard. All of the share classes of Pritchard that were to be issued under the offer were listed on the NSX.

An independent expert report was commissioned by PF1 at the time, which placed a value on the consideration under the Pritchard offer within the range of \$0.30 to \$0.34 per PF1 A Class Share (\$0.37 to \$0.42 on a fully diluted basis).

Share Buy-Back

As discussed in Section 3.2, PF1 proposed a Share Buy-Back which was approved by shareholders on 5 February 2009. Under the Share Buy-Back, PF1 A Class Shareholders will receive \$0.55 cash consideration per share for 40% of each A Class Shareholder's interest. A maximum of 1,805,200 PF1 A Class Shares could be acquired and subsequently cancelled by PF1 for a maximum total consideration of \$992,860. The Share Buy-Back will be funded by the Company's cash on hand.

Conclusion

The recent genuine offers received by PF1 suggest a valuation range of \$0.30 to \$0.55 per PF1 A Class Share.

7.3. Valuation Conclusion

Having considered the value derived under the orderly realisation of assets method in Section 7.1 and the valuation range derived based on genuine offers received (Section 7.2), we have assessed the value of PF1 A Class Shares in the following range:

Valuation of 100% of PF1 A Class Shares

	Section Reference	Low \$	High \$
Orderly realisation of assets method	7.1	0.4986	0.4986
Genuine offers received	7.2	0.30	0.55

Source: William Buck's assessment

PF1's assets comprising mainly of real-estate properties and cash are assets which are capable of being realised within a reasonable period of time.

In our view, the valuation obtained under the orderly realisation of assets method represents a more accurate valuation of the PF1 A Class Shares than the secondary method based on recent genuine offers received. Nevertheless, the valuation range applied by recent offers received supports the valuation derived under our primary valuation method.

As such, we have adopted a valuation of **\$0.4986** per PF1 A Class Share.

8. Valuation of PF2

8.1. Orderly Realisation of Assets Method

The orderly realisation of assets approach has been selected as the primary valuation methodology to assess the value of PF2 A Class Shares. The key consideration for this assessment is PF2's net assets. We have reviewed PF2's net assets as at 31 December 2008 (being the latest publicly available financial information) and have made pro-forma adjustments to:

- Reflect the current position of the business since 31 December 2008
- Reflect the current market value of the investments and property assets of PF2
- Reflect the estimated costs required to be incurred to realise the value of the investments and property assets of PF2

Details of the adjustments made and the resulting pro-forma net asset position are set out below.

8.1.1 Pro-Forma Balance Sheet

The following table sets out the audited balance sheet of PF2 as at 31 December 2008, the pro-forma adjustments made and the resulting pro-forma balance sheet as at 31 December 2008.

Pro-Forma Balance Sheet of PF2 as at 31 December 2008

	Ref	31/12/2008 Audited	Pro-Forma Adjustments	Pro-Forma Adjusted
Current Assets				
Cash and cash equivalents	1	1,090,809	(157,398)	933,411
Trade and other receivables	2	15,103	53,952	69,055
Total Current Assets		1,105,912	(103,446)	1,002,466
Non-Current Assets				
Investments accounted for using the equity method	3	150,958	(89,421)	61,537
Property	4	1,622,641	(175,168)	1,447,473
Total Non-Current Assets		1,773,599	(264,589)	1,509,010
Total Assets		2,879,511	(368,035)	2,511,476
Current Liabilities				
Trade and other payables	5	47,860	(6,601)	41,259
Short term borrowings	6	834,125	(37)	834,088
Total Current Liabilities		881,985	(6,638)	875,347
Total Liabilities		881,985	(6,638)	875,347
Net Assets		1,997,526	(361,397)	1,636,129
Equity				
Contributed equity		2,642,220	-	2,642,220
Reserves	7	304,805	(70,250)	234,555
Retained earnings	8	(949,499)	(291,147)	(1,240,646)
Total Equity		1,997,526	(361,397)	1,636,129

Source: PF1 Financial Statements and Review Report for the half-year ended 31 December 2008, unaudited management accounts of PF2 for the ten months ended 30 April 2009 and adjustments by William Buck

Note 1: Cash and cash equivalents

- The decrease relates to movements which have occurred since 31 December 2008, being the date of the latest publicly available information.

Note 2: Trade and other receivables

- The increase relates to movements which have occurred since 31 December 2008, being the date of the latest publicly available information.

Note 3: Investments accounted for using the equity method

- Decrease of \$7,243 relates to the revaluation of the investment in Fox Riverside
- Movements which have occurred since 31 December 2008, being the date of the latest publicly available information.

Note 4: Properties

- Decrease of \$104,918 relates to the revaluation of the interest in the joint venture with Fox Riverside No. 2 Pty Limited.
- Decrease of \$70,250 relates to the revaluation of the Toowoomba Portfolio at market value less selling costs estimated at 3% of market valuation.

Note 5: Trade and other payables

- The decrease relates to movements which have occurred since 31 December 2008, being the date of the latest publicly available information.

Note 6: Short term borrowings

- The decrease relates to movements which have occurred since 31 December 2008, being the date of the latest publicly available information.

Note 7: Reserves

- Decrease of \$70,250 relating to the revaluation of the Toowoomba Portfolio at market value less selling costs estimated at 3% of market valuation.

Note 8: Retained earnings

- Decrease of \$104,918 relating to the revaluation of the interest in the joint venture with Fox Riverside No. 2 Pty Limited.
- Decrease of \$7,243 relating to the revaluation of the 31.17% interest in Fox Riverside.
- Movements which have occurred since 31 December 2008, being the date of the latest publicly available information.

8.1.2 Valuation Calculation

Based on the pro-forma balance sheet provided at Section 8.1.1 the value of each PF2 A Class Share has been determined as set out below.

Valuation of PF2 A Class Shares

	Section Reference	
PF2's Pro-Forma Net Assets	8.1	\$1,636,129
Intangible Assets	Note 1	-
Deferred Tax Assets/Liabilities	Note 2	-
Value of 100% of PF2		\$1,636,129
No. of PF2 A Class Shares		3,017,999
Value per PF2 A Class Share		\$0.5421

Source: William Buck's assessment

Note 1: Intangible Assets

PF2 has no intangible assets recognised in its balance sheet and we are not aware of any intangible assets which would require consideration as part of our valuation.

Note 2: Deferred Tax Assets and Liabilities

No deferred taxation assets or liabilities have been recognised as PF2 has significant tax losses carried forward from previous years and deferred income tax assets are only recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

8.2. Valuation Conclusion

Having considered the valuation calculation and comments set out in Sections 8.1.1 and 8.1.2, our valuation of the PF2 A Class Shares is **\$0.5421** per PF2 A Class Share.

9. Evaluation of the Offer

9.1. Fairness Assessment

Under the Offer, PF1 A Class Shareholders will receive nine PF2 A Class Shares for every ten PF1 A Class Shares held. A comparison of the value derived for the PF1 A Class Shares to the consideration offered is provided below.

Fairness Assessment

	Section Reference	Amount
No. of new PF2 A Class Shares to be issued per PF1 A Class Share		0.90
Assessed Value per PF2 A Class Share	8.2	\$0.5421
Value of Consideration Offered per PF1 A Class Share		\$0.4879
Assessed Value per PF1 A Class Share	7.3	\$0.4986

Source: William Buck analysis

As demonstrated above our assessed value of the consideration offered by PF2 is less than our assessed value of the PF1 A Class Shares.

In our opinion, the Offer is not fair to the PF1 A Class Shareholders when assessed based on the guidelines set out in RG 111.

9.2. Reasonableness Assessment

Despite our conclusion that the Offer is not fair, RG 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 PF1 A Class Shareholders outweigh the disadvantages. Advantages and disadvantages identified are as follows:

Advantages for the PF1 A Class Shareholders

Potential Improved Liquidity and Ability to Access Capital

If the takeover of PF1 is successful, the combined entity would have a higher number of shares on issue and market capitalisation which may result in improved liquidity of the shares. The combined entity could potentially gain easier access to capital compared to if the entities attempted to secure capital on a standalone basis.

Potential Economies of Scale and Rationalisation of Expenses

The Bidder's Statement stated that PF2 intends to consolidate and rationalise corporate office functions (such as treasury, financial reporting, corporate affairs and information technology). Further, the costs associated with maintaining one listed entity would be significantly lower than the costs currently being incurred to maintain two listed entities.

Increased Dividend Entitlement

PF1 A Class Shareholders are currently entitled to 75% of all dividends declared by PF1 with the remaining 25% dividends entitlement accruing to the ordinary shareholders of PF1. If PF2's takeover bid is successful, the new PF2 A Class Shares to be issued to PF1 A Class Shareholders as purchase consideration would be fully paid and rank equally with existing PF2 A Class Shares. PF1 A Class Shareholders would have equal entitlement with existing PF2 A Class Shareholders to any dividends paid by PF2. Therefore, PF1 A Class Shareholders' dividend entitlement will increase beyond 75% if the takeover bid is successful.

Retention of Control

PF1 A Class Shareholders collectively hold 76% (assuming the cancellation of 536,000 PF1 A Class Shares based on acceptances received relating to the Share Buy-Back) of the voting rights in PF1. If the takeover bid by PF2 is successful, PF1 A Class Shareholders would own approximately 54% of PF2. Although their voting rights have been diluted, collectively, the PF1 A Class Shareholders would still retain control of the combined entity.

Disadvantages for the A Class Shareholders

Discount to Assessed Market Value

The consideration under the Offer represents a discount to the assessed market value of PF1 A Class Shares. We note, however that the discount is only marginal amounting to approximately 2.15% of the assessed market value of PF1 A Class Shares.

Discount to Share Buy-Back Price

The consideration under the Offer is less than the \$0.55 per share cash consideration offered to PF1 A Class Shareholders under the Share Buy-Back. Despite the proposed share buy-back only applying to 40% of each PF1 A Class Shareholder's holding, the Offer presents a discount of \$0.05 per PF1 A Class Share for the relevant 40% of each PF1 A Class Shareholder's shares.

Liquidity of PF2 A Class Shares

If the Offer is successful, PF1 A Class Shareholders will receive nine PF2 A Class Shares for every ten PF1 A Class Shares held. As discussed in Sections 6.1 and 6.2, both PF1 A Class Shares and PF2 A Class Shares are illiquid. Effectively, PF1 A Class Shareholders would exchange their investment in an illiquid asset for another illiquid asset. We note, however, that if the Offer is successful, it would result in higher number of PF2 A Class Shares on issue and a higher number of shareholders, which could potentially lead to increased trading activity and hence liquidity in the shares.

9.3. Conclusion

Based on the above fairness assessment (Section 9.1) and reasonableness assessment (Section 9.2), we conclude that the Offer is **not fair but reasonable** to the PF1 A Class Shareholders.

10. Appendices

10.1. Appendix A – Abbreviations and Definitions

Term	Definition
ASIC	The Australian Securities and Investments Commission
ASX	The Australian Securities Exchange Limited ABN 98 008 624 691
Bidder	Property Fox No. 2 Limited ABN 52 108 076 295
Bidder's Statement	The Bidder's Statement for PF1 prepared by PF2, dated 22 May 2009
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 PF1 at the date of this Report
Fairfield Portfolio	The investment of PF1 at 38 Vine Street, Fairfield NSW
Fox Riverside	Fox Riverside Pty Limited ABN 45 111 781 134
Fox Riverside No. 2 Pty Limited	Fox Riverside No. 2 Pty Limited ACN 114 807 564
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 PF2 to acquire the PF1 A Class Shares as set out in the Bidder's Statement
Pritchard	Pritchard Equity Limited ABN 80 100 517 404
PF1	Property Fox No. 1 Limited ABN 97 101 816 353
PF1 A Class Share(s)	Fully paid A class share(s) in the issued capital of PF1
PF1 A Class Shareholder	A holder of PF1 A Class Share(s)
PF2	Property Fox No. 2 Limited ABN 52 108 076 295
PF2 A Class Share(s)	Fully paid A class share(s) in the issued capital of PF2
PF2 A Class Shareholder	A holder(s) of PF2 A Class Share(s)

Term	Definition
RG111	ASIC Regulatory Guide 111 - <i>Content of Expert Reports</i>
Related Party	Has the meaning as provided in the Corporations Act
Report or Independent Expert Report	This document prepared by William Buck dated 3 July 2009
Share Buy-Back	An equal access share buy-back offer of up to 40% of PF1's A Class Shares announced by the Directors of PF1 on 23 December 2008
Target	Property Fox No. 1 Limited ABN 97 101 816 353
Toowoomba Portfolio	The investment of PF1 and PF2 at Healy & Ruthven Streets, Toowoomba QLD
William Buck	William Buck Corporate Advisory Services (NSW) Pty Ltd ABN 50 133 845 637 Authorised Representative of William Buck Financial Services (NSW) Pty Ltd (Licence No: 240769)

10.2. Appendix B – Qualifications and Declarations

Qualifications

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 ASIC for giving expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

The individuals responsible for the preparation of this Report are Mrs Manda Trautwein and Mr Graham Spring.

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.

Graham Spring is a director of William Buck and is also a member of the executive board. He holds a Bachelor of Commerce degree from the University of New South Wales and a Masters of Business Administration from Macquarie University. With over 25 years experience as a Chartered Accountant, Graham has extensive experience in the valuation of business enterprises, companies, shares and other securities and entities. His valuation engagements have covered a wide range of industries including; legal practices, aged care facilities, mining companies, wholesaling operations and funds managements companies.

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 PF1 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 PF1 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 the Share Buy-Back which was announced by PF1 on 23 December 2008. William Buck was also engaged by PF1 to provide independent expert reports in relation to the off-market takeover bids made by Primrose Capital Management Pty Ltd and Pritchard Equity Ltd announced on 1 December 2008 and 5 August 2008 respectively. 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 PF1 dated 1 October 2008.

William Buck (NSW) Pty Limited an entity associated with William Buck has provided taxation advice to PF1 in relation to the effect of the Share Buy-Back on the PF1 A Class Shareholders.

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 \$20,000 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 PF1 and any of its associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". William Buck considers itself to be independent.

10.3. 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) PF2's Bidder's Statement, 22 May 2009
- b) Annual Report of PF1 for the years ended 30 June 2007 and 2008
- c) Financial Statements and Review Report of PF1 for the half year ended 31 December 2008
- d) Shareholder register of PF1 as at 30 May 2009
- e) Draft Target Statement to be issued by PF1 in response to the Offer
- f) PF1's Constitution
- g) Unaudited Management Accounts of Fox Riverside for the ten months ended 30 April 2009
- h) Unaudited Management Accounts of PF1 and PF2 for the ten months ended 30 April 2009
- i) Unaudited Management Accounts of the joint venture between Fox Riverside and Freeman Fox Investments for the ten months ended 30 April 2009
- j) Unaudited Management Accounts of the joint venture between PF2 and Fox Riverside No. 2 Pty Ltd for the ten months ended 30 April 2009
- k) Annual Report of PF2 for the years ended 30 June 2007 and 2008
- l) Financial Statements and Review Report of PF2 for the half year ended 31 December 2008
- m) Various enquiries with PF1's management, legal adviser and tax adviser
- n) Information available on the corporate website of PF1, accessed June 2009, <http://www.propertyfoxno1.com.au>
- o) Information available on the corporate website of PF2, accessed June 2009, <http://www.propertyfoxno2.com.au>
- p) Publicly available information regarding PF1
- q) Publicly available information regarding PF2
- r) IBISWorld Industry Report 'Residential Property Operators and Developers in Australia', 16 March 2009

10.4. 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.
- 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 enterprise 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.
- 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 entity for any shares, business units or assets as a basis for the valuation of those shares, business units or assets.