

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

Second Supplementary Target's Statement

**This Second Supplementary 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



22 September 2009

Dear Shareholders

Takeover bid by Property Fox No. 2 Limited

As you will be aware, Property Fox No.2 Limited (**PF2**) recently made a takeover bid for all of your 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**).

On 10 August 2009, PF2 increased the Offer Consideration by adding a cash component of \$0.02 per PF1 A Class Share, conditional on PF2 securing a relevant interest of at least 64% in the A Class shares of PF1.

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

The Independent Expert has assessed the value of the improved consideration offered by PF2 for the acquisition of the PF1 A Class Shares to be \$0.4696 per PF1 A Class Share. This amount is greater than the Independent Expert's assessed value of each PF1 A Class Share which is \$0.4643. The Independent Expert has concluded that the Offer is fair and 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 fair and 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 the Target's Statement and the Bidder's Statement.

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

- the improved Offer Consideration provides certain value to PF1 A Class Shareholders;
- approximately 40% of PF1 A Class Shareholders have accepted the Offer as at the date of this Second Supplementary Target's Statement; and
- based on the opinion contained in the Independent Expert Report, the Offer is fair and reasonable to PF1 A Class Shareholders.

The Board of PF1 is pleased that PF2 has recognised the increased value in PF1 and welcomes PF2's desire to merge the businesses of PF1 and PF2.

It is important to note that as this increase in the Offer Consideration is conditional upon PF2 obtaining a 64% interest in the A Class shares of PF1 (after completion of the Buy-Back), if you accept the Offer and this 64% threshold is not met you will only receive 9 PF2 A Class Shares for every 10 PF1 A Class Shares you own.

The Buy-Back Offer is now closed. As announced to the market on 7 August 2009, approximately 67.21% of eligible PF1 A Class Shares were bought back by PF1.

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 Second Supplementary 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

1. Important Information

1.1 Nature of this document

This document is a supplementary target's statement under section 644 of the *Corporations Act 2001* (Cth) (**Second Supplementary Target's Statement**). This Second Supplementary Target's Statement is dated 22 September 2009 and supplements the Target's Statement dated 3 July 2009 and the Supplementary Target's Statement dated 17 July 2009 by PF1 in response to the Bidder's Statement dated 22 May 2009 and the Supplementary Bidder's Statement dated 10 August 2009 from PF2.

This Second Supplementary Target's Statement is to be read together with the Target's Statement and the Supplementary Target's Statement and prevails to the extent that there is any inconsistency between this Second Supplementary Target's Statement and the Target's Statement or the Supplementary Target's Statement.

1.2 ASIC and the NSX

A copy of this Second Supplementary Target's Statement was lodged with ASIC and provided to the NSX on 22 September 2009. Neither ASIC, the NSX nor any of their officers takes any responsibility for the contents of this Second Supplementary Target's Statement.

1.3 Interpretation

Terms used in this Second Supplementary Target's Statement have the same meaning as in the Target's Statement and Supplementary Target's Statement unless provided otherwise in this Second Supplementary Target's Statement or unless the context requires otherwise.

1.4 Information line

If you have any questions in relation to the Offer, or in relation to anything contained in this Second Supplementary Target's Statement, the Target's Statement or the Supplementary Target's Statement, please call (07) 3031 9971.

1.5 Professional advice

This Second Supplementary Target's Statement provides important information to assist PF1 A Class Shareholders in deciding whether to accept the Offer and should be read in its entirety. If, after reading this Second Supplementary Target's Statement, you have any questions, you should consult your professional adviser.

2. Variation of the Offer

2.1 Improved Offer Consideration

On 10 August 2009, PF2 announced an increase in the Offer Consideration by adding a cash component of \$0.02 per PF1 A Class Share, conditional on securing a relevant interest of at least 64% in the A Class shares of PF1. A copy of that announcement is attached to this Second Supplementary Target's Statement.

It is important to note that as this increase in the Offer Consideration is conditional upon PF2 obtaining a 64% interest in the A Class shares of PF1, if you accept the Offer and this 64% threshold is not met you will only receive 9 PF2 A Class Shares for every 10 PF1 A Class Shares you own.

2.2 Extension of the Offer Period

PF2 has extended the Offer so that it is now scheduled to close at 7.00pm (AEST) on 30 September 2009.

The new date for the purpose of giving notice of the status of the defeating conditions in accordance with section 630 of the Corporations Act will be 23 September 2009.

2.3 Independent Director's recommendation

Your Independent Director recommends that you accept the Offer for the following reasons:

- (a) the improved Offer Consideration provides certain value to PF1 A Class Shareholders;
- (b) approximately 40% of PF1 A Class Shareholders have accepted the Offer as at the date of this Second Supplementary Target's Statement; and
- (c) based on the opinion contained in the Supplementary Independent Expert Report (contained in Section 5 of this Second Supplementary Target's Statement), the Offer is fair and reasonable to PF1 A Class Shareholders.

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

- (a) read the whole of this Second Supplementary Target's Statement, the Supplementary Target's Statement, Target's Statement, Bidder's Statement and Supplementary Bidder's Statement;
- (b) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- (c) consider your choices set out in Section C of the Target's Statement; and
- (d) 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 3.1 of this Second Supplementary Target's Statement.

2.4 Supplementary Independent Expert Report

The Independent Expert has assessed the value of the improved Offer Consideration offered by PF2 for the acquisition of the PF1 A Class Shares to be \$0.4696 per PF1 A Class Share. This amount is greater than the Independent Expert's assessed value of each PF1 A Class Share which is \$0.4643.

The Independent Expert has concluded that the Offer is fair and reasonable to PF1 A Class Shareholders.

A copy of the Supplementary Independent Expert Report is set out in Section 5.

2.5 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 primarily comprises 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 the general economic climate and other factors.

A more complete description of the risks associated with accepting the Offer are set out in the Supplementary Target's Statement and 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 this Second Supplementary Target's Statement, the Supplementary Target's Statement, Target's Statement, Bidder's Statement and Supplementary Bidder's Statement and seek professional advice from your solicitor, accountant or other professional adviser before accepting the Offer.

3. Additional information

3.1 Director's interests in PF1

As at the date of this Second Supplementary 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

3.2 Interests of substantial shareholders

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

Substantial shareholder	PF1 A Class Shares	Ordinary Shares	Relevant Interest %
Property Fox No.2 Limited	1,064,000	0	23.39
Fox Invest Limited	379,800	0	11.51
Fox Portfolio Pty Ltd	0	1,250,000	21.69

3.3 Director's interests in PF2

(a) 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 Second Supplementary Target's Statement, the 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.

(b) Agreements with PF2

Other than as disclosed above or elsewhere in this Second Supplementary Target's Statement, the 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.

3.4 Directorships

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

3.5 Other material information

Except as set out above and elsewhere in this Second Supplementary Target's Statement, the 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.

4. Consents and authorisation

4.1 Consents

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

- (a) be named in this Second Supplementary Target's Statement in the form and context in which they are named; and
- (b) the inclusion of other statements in this Second Supplementary 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

Name of person	Capacity	Reports or statements
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 5
HWL Ebsworth Lawyers	Legal advisers	Nil

Each of the persons named above:

- (c) does not make, or purport to make, any statement in this Second Supplementary Target's Statement other than those statements referred to above and as consented to by that person; and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Second Supplementary Target's Statement other than as described in this Section with the person's consent.

Neither HWL Ebsworth Lawyers nor William Buck has authorised or caused the issue of this Second Supplementary Target's Statement.

4.2 **Authorisation**

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

Signed for and on behalf of PF1:



Jodie Stainton
Independent Director

22 September 2009

5. Supplementary Independent Expert Report

21 September 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**") made on 22 May 2009 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.

William Buck prepared an independent expert report dated 3 July 2009 which concluded that the Offer was not fair but reasonable to the shareholders of PF1 A Class Shares.

On 10 August 2009, PF2 announced that it would vary its bid consideration to add two cents per PF1 A Class Share in addition to the existing consideration if PF2 was successful in securing acceptances to the Offer which would increase its total relevant interest in PF1 A Class Shares to 64% or more ("**Cash Consideration Offer**").

The Directors of PF1 have engaged William Buck to opine on whether the Offer including the Cash Consideration Offer (collectively, referred to as the "**Revised Offer**") is fair and reasonable.

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

2. Summary of Opinion

We have considered the terms of the Revised Offer and conclude that the **Revised Offer is fair and reasonable** to the PF1 A Class Shareholders.

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

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

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 Revised Offer is fair to the PF1 A Class Shareholders with reference to the value of all the PF1 A Class Shares that PF2 proposes to acquire and the total 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	\$0.4995
Value of Scrip Consideration Offered per PF1 A Class Share		\$0.4496
Value of Cash Consideration Offered per PF1 A Class Share	1.2	\$0.0200
Total Consideration Offered per PF1 A Class Share		\$0.4696
Assessed Value per PF1 A Class Share	7.3	\$0.4643

Source: William Buck analysis

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

In our opinion, the Revised Offer is **fair** to the PF1 A Class Shareholders when assessed based on the guidelines set out in RG 111.

Reasonableness Assessment

Under RG111, an offer is reasonable if it is fair. On this basis, we also conclude that the Revised Offer is reasonable. We have also considered the following factors in assessing the reasonableness of the Revised Offer.

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 trading activities and 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 Revised Offer is successful they would still collectively retain control of the combined entity.

Disadvantages

- The total consideration offered under the Revised Offer is less than the \$0.55 per share cash consideration offered to PF1 A Class Shareholders under the Share Buy-Back which closed on 7 August 2009. Despite the Share Buy-Back only applying to 40% of each PF1 A Class Shareholder's holding, the Revised Offer represents a discount of 14% per PF1 A Class Share for the relevant 40% of each PF1 A Class Shareholder's shares.
- Under the Revised Offer, PF1 A Class Shareholders would receive shares in another listed entity which is also relatively illiquid. If the Revised 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 assessment we have concluded that the Revised Offer is **fair and reasonable**.

3. General Advice

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

The decision of PF1 A Class Shareholders as to whether or not to accept the Revised Offer is a matter for each individual based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. 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 Revised 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

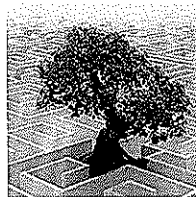
PROPERTY FOX NO 1 LIMITED

Revised Offer for Off-Market Takeover Bid by Property Fox No 2 Limited

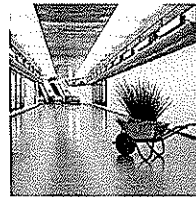
Independent Expert Report & Financial Services Guide

September 2009

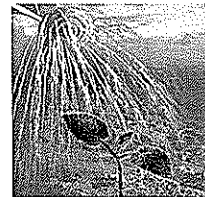
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Financial Services Guide

Dated 21 September 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. Revised Offer

The Revised Offer comprises the takeover bid made by PF2 as set out in the Bidder's Statement dated 22 May 2009 and the cash consideration offer made by PF2 as set out in the Supplementary Bidder's Statement dated 10 August 2009 (the "**Revised Offer**"). A summary of both offers is set out sections 1.1 and 1.2 below.

1.1. 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 3,299,801 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 of PF1 are not listed on any securities exchange and are not included in the Offer.

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 stated in the Bidder's Statement.

1.2. Cash Consideration Offer

On 10 August 2009, PF2 announced that it will vary its bid consideration to add two cents per PF1 A Class Share in addition to the existing consideration of nine PF2 A class shares in PF2 for every ten PF1 A Class Shares held ("**Cash Consideration Offer**").

In the same announcement, PF2 also extended the offer period to close on 30 September 2009 compared to 31 August 2009.

PF2 also lodged a supplementary Bidder's Statement on 10 August 2009 ("**Supplementary Bidder's Statement**").

1.3. Conditions

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.

Cash Consideration Offer

The Supplementary Bidder's Statement states that the Cash Consideration Offer is subject to PF2 successfully securing acceptances to the Offer such that PF2's relevant interest in PF1 increases to 64% or more.

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 concluded that the Offer was not fair but reasonable to PF1 A Class Shareholders in an independent expert report dated 3 July 2009.

William Buck has now been commissioned by PF1 to provide an opinion on whether the Revised 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 Revised 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 Revised 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 Revised 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, the Cash Consideration Offer as set out in the Supplementary Bidder's Statement, the Target's Statement, the Supplementary Target's Statement and the Second Supplementary Target's

Statement in which this Report is attached to and seek their own professional advice.

2.3. Factors Considered in Determining our Opinion

We have undertaken an analysis of the Revised Offer using the concepts of fair and reasonable as prescribed in RG111. In forming our opinion as to whether the Revised 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 total value of the consideration offered (fairness).
- Other key matters to which PF1 A Class Shareholders may give consideration, prior to approving the Revised 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 have not found anything that causes us to believe that the information provided by PF1 is not reliable, accurate or reasonable. 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.

The Share Buy-Back closed on 7 August 2009. A total of 1,213,000 PF1 A Class Shares were bought back representing approximately 26.88% of the total PF1 A Class Shares on issue. The cost (excluding any transaction costs) of acquiring the PF1 A Class Shares amounted to approximately \$667,260.

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 audited balance sheets as at 30 June 2008 and 31 December 2008 and unaudited balance sheet as at 30 June 2009 are summarised below.

PF1 Balance Sheets

	As at		
	30-Jun-09 Unaudited	31-Dec-08 Audited	30-Jun-08 Audited
Current Assets			
Cash and cash equivalents	1,146,208	1,405,230	1,427,875
Trade and other receivables	62,733	51,482	51,864
Inventories	1,343,111	1,293,111	1,293,111
Financial assets	66,689	75,689	283,939
Total Current Assets	2,618,741	2,825,512	3,056,789
Total Assets	2,618,741	2,825,512	3,056,789
Current Liabilities			
Trade and other payables	107,556	111,695	38,615
Short term borrowings	446,250	446,250	446,250
Total Current Liabilities	553,806	557,945	484,865
Total Liabilities	553,806	557,945	484,865
Net Assets	2,064,935	2,267,567	2,571,924
Equity			
Contributed equity	4,506,711	4,506,711	4,506,711
Retained earnings / (accumulated losses)	(2,441,776)	(2,239,144)	(1,934,787)
Total Equity	2,064,935	2,267,567	2,571,924

Source: PF1 unaudited Preliminary Final Report for the year ended 30 June 2009, 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 30 June 2009, 43.77% of PF1's total assets consisted of cash and cash equivalents.

Inventories

As at 30 June 2009, PF1's inventories represented 51.29% 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 30 June 2009, PF1's financial assets comprised investments in listed and unlisted entities. These investments represented 2.55% of total assets as at 30 June 2009. 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 30 June 2009, PF1 held 103,499 PF2 A Class Shares. The PF2 A Class Shares were valued at \$54,169 in PF1's balance sheet as at 30 June 2009.

PF1's audited consolidated income statements for the year ended 30 June 2008 and the six months ended 31 December 2008 and the unaudited consolidated income statement for the year ended 30 June 2009 are summarised below.

PF1 Income Statements

	For the Year Ended	For the Six Months Ended	For the Year Ended
	30-Jun-09 Unaudited	31-Dec-08 Audited	30-Jun-08 Audited
Revenue			
Sale of properties	-	-	1,200,000
Cost of Sales			
Sale of properties	-	-	(1,170,000)
Gross Profit on Sale of Properties	-	-	30,000
Expenses			
Management fees	(17,821)	(9,359)	(17,135)
Impairment expenses	(9,000)	-	(257,000)
Directors fees	(25,200)	(12,600)	(25,200)
Professional fees	(510,592)	(283,108)	(139,682)
Borrowing costs	(37,105)	(22,193)	(39,989)
Body corporate fees	(14,259)	(7,126)	(11,877)
Other expenses	(95,878)	(55,364)	(80,382)
Other Income			
Rental income	91,030	43,926	89,925
Interest received	61,807	41,467	92,782
Reversal of impairment loss on inventory	50,000	-	-
Other income	29	-	-
Profit / (Loss) From Ordinary Activities Before Income Tax	(506,989)	(304,357)	(358,558)
Income tax expense / (benefit) relating to ordinary activities	-	-	-
Profit / (Loss) From Ordinary Activities After Related Income Tax Expense	(506,989)	(304,357)	(358,558)

Source: PF1 unaudited Preliminary Final Report for the year ended 30 June 2009, 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 3,299,801 A class shares on issue (after the Share Buy-Back). 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 after cancellation of the A class shares relating to the Share Buy-Back are shown in the table below.

PF1 Top 10 Shareholders

Shareholder Name	No. of Shares	% of Issued Capital
Fox Invest Limited	379,800	11.51%
Peter Schaap & Pauline Schaap <Schaap Super A/C>	100,000	3.03%
Quest Invest Pty Ltd	80,000	2.42%
C & AC Pty Ltd <C & A Chappel Super A/C>	72,000	2.18%
Damien Negus <Bush Magic Super A/C>	60,000	1.82%
David William Searle & Rosemarie Anne Searle	60,000	1.82%
Melcrag Pty Ltd	48,000	1.45%
Eltone Pty Ltd	40,000	1.21%
Carol Fiskstrand & Sindre Fiskstrand	40,000	1.21%
Jadhill Pty Ltd <Jadhill Super A/C>	40,000	1.21%
Top 10 Shareholders	919,800	27.86%
Total Shareholders	3,299,801	100.00%

Source: PF1, 26 August 2009

A summary of PF1 A Class Shareholder spread after cancellation of PF1 A Class Shares relating to the Share Buy-Back 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	147	2,900,000
100001 and Over	1	379,800
Total	151	3,299,801

Source: PF1, 26 August 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 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 audited balance sheets as at 30 June 2008 and 31 December 2008 and unaudited balance sheet as at 30 June 2009 are summarised below.

PF2 Balance Sheets

	As at		
	30-Jun-09 Unaudited	31-Dec-08 Audited	30-Jun-08 Audited
Current Assets			
Cash and cash equivalents	793,287	1,090,809	97,983
Other current assets	95,669	15,103	8,602
Total Current Assets	888,956	1,105,912	106,585
Non-Current Assets			
Investments accounted for using the equity method	62,780	150,958	1,299,522
Property	1,608,641	1,622,641	1,498,391
Total Non-Current Assets	1,671,421	1,773,599	2,797,913
Total Assets	2,560,377	2,879,511	2,904,498
Current Liabilities			
Trade and other payables	57,369	47,860	34,898
Short term borrowings	834,088	834,125	834,088
Total Current Liabilities	891,457	881,985	868,986
Total Liabilities	891,457	881,985	868,986
Net Assets	1,668,920	1,997,526	2,035,512
Equity			
Contributed equity	2,660,220	2,642,220	2,642,220
Reserves	259,305	304,805	180,555
Retained earnings / (accumulated losses)	(1,250,605)	(949,499)	(787,263)
Total Equity	1,668,920	1,997,526	2,035,512

Source: PF2 unaudited Preliminary Final Report for the year ended 30 June 2009, 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 30 June 2009, 30.99% of PF2's total assets consisted of cash and cash equivalents.

Properties

As at 30 June 2009, PF2's properties represented 62.84% 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 30 June 2009, Investments accounted for 2.45% 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 audited income statements for the year ended 30 June 2008 and the six months ended 31 December 2008 and unaudited income statement for the year ended 30 June 2009 are summarised below.

PF2 Income Statements

	For the Year Ended	For the Six Months Ended	For the Year Ended
	30-Jun-09 Unaudited	31-Dec-08 Audited	30-Jun-08 Audited
Revenue			
Rental income	67,100	35,486	64,036
Interest received	22,017	4,269	3,655
Share of net (loss) / profit of associates	(144,793)	(57,614)	158,700
Expenses			
Management fees	(12,000)	(6,000)	(12,000)
Professional fees	(223,622)	(25,496)	(54,869)
Directors fees	(27,106)	(12,200)	(25,200)
Finance costs	(47,781)	(31,298)	(55,918)
NSX listing costs	(6,068)	(3,034)	(6,675)
Property costs	(28,085)	(24,562)	(35,840)
Other expenses from ordinary activities	(63,004)	(41,788)	(67,012)
Profit / (Loss) From Ordinary Activities Before Income Tax	(463,343)	(162,237)	(31,123)
Income tax expense / (benefit) relating to ordinary activities	-	-	-
Profit / (Loss) From Ordinary Activities After Related Income Tax Expense	(463,343)	(162,237)	(31,123)

Source: PF2 unaudited Preliminary Final Report for the year ended 30 June 2009, 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 Revised 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.

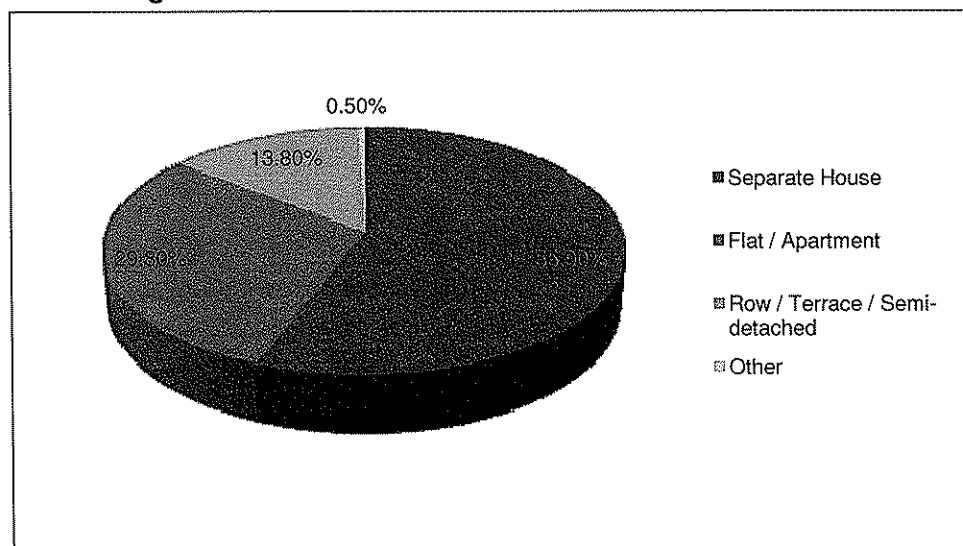
Segmentation

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.

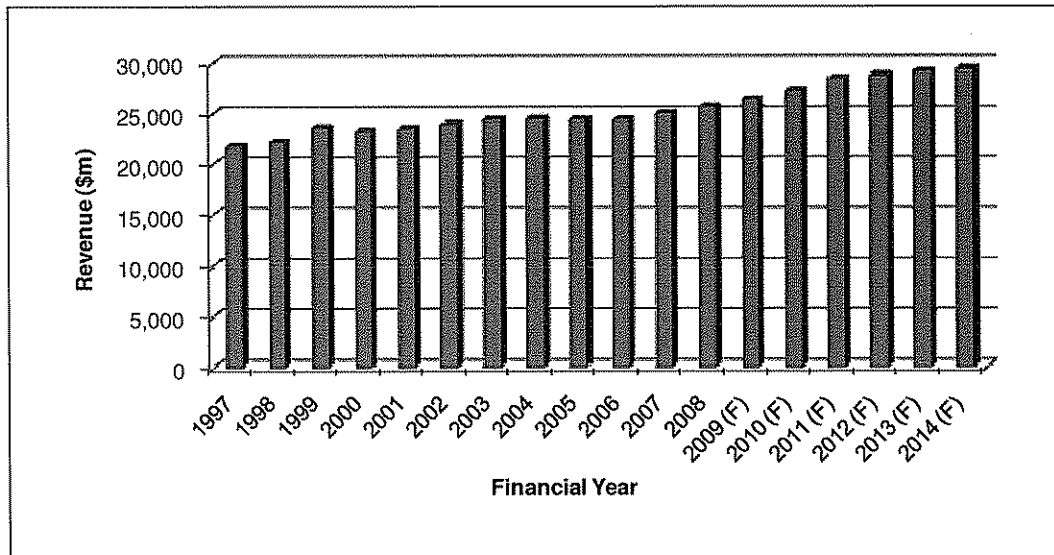
An understanding of the market is critical in this industry. Competitors must pay attention to key indicators for demand levels in the market such as mortgage rates, housing affordability, population growth rates and residential property yields. The ability to identify cyclical trends in the industry 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 assessment set out in section 2.2, we have considered the fairness of the Revised 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 plus cash of two cents per PF1 A Class Share held).

Our selected valuation methodology for assessing each element of the Revised 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 value 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 are 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 value of the business of PF2 compared to an earnings-based approach.

Our review of PF2's NSX 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 are included at Section 8 of this Report.

Cash

The cash component offered by PF2 in accordance with the Cash Consideration Offer set out in the Supplementary Bidder's Statements has been added to the value of the PF2 A Class shares offered to derive the total value of consideration.

Full details of the evaluation of the total consideration offered by PF2 are included at section 9.1 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 used PF1's unaudited net assets as at 30 June 2009 and have made pro-forma adjustments to:

- 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 Share Buy-Back.

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 unaudited balance sheet of PF1 as at 30 June 2009, the pro-forma adjustments made and the resulting pro-forma balance sheet as at 30 June 2009.

Pro-Forma Balance Sheet of PF1 as at 30 June 2009

	Ref	30-Jun-09 Unaudited	Total Adjustments	Pro-Forma Adjusted
Current Assets				
Cash and cash equivalents	1	1,146,208	(667,260)	478,948
Trade and other receivables		62,733	-	62,733
Inventories	2	1,343,111	136,139	1,479,250
Financial assets	3	66,689	(1,589)	65,100
Total Current Assets		2,618,741	(532,710)	2,086,031
Total Assets		2,618,741	(532,710)	2,086,031
Current Liabilities				
Trade and other payables		107,556	-	107,556
Short term borrowings		446,250	-	446,250
Total Current Liabilities		553,806	-	553,806
Total Liabilities		553,806	-	553,806
Net Assets		2,064,935	(532,710)	1,532,225
Equity				
Contributed equity	4	4,506,711	(667,260)	3,839,451
Revaluation reserve	5	-	136,139	136,139
Retained earnings	6	(2,441,776)	(1,589)	(2,443,365)
Total Equity		2,064,935	(532,710)	1,532,225

Source: PF1 unaudited Preliminary Final Report for the year ended 30 June 2009 and William Buck's assessment

Note 1: Cash and cash equivalents

- An adjustment was made to decrease cash by \$667,260 to include the effect of the cancellation of 1,213,200 PF1 A Class Shares under the Share Buy-Back which closed on 7 August 2009.

Note 2: Inventories

- Increase in inventories of \$5,900 relates to the revaluation of the Fairfield Portfolio at market value less selling costs estimated at 3% of market value.
- 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 value.

Note 3: Financial assets

- Increase in financial assets of \$873 relates to the upward revaluation of the investment in Fox Riverside.
- Decrease in financial assets of \$2,462 relates to the downward revaluation of the investment in PF2.

Note 4: Contributed equity

- The balance of contributed equity has been reduced by \$667,260 to reflect the effect of cancelling 1,213,200 of PF1 A Class Shares pursuant to the Share Buy-Back which closed on 7 August 2009.

Note 5: Revaluation reserve

- Increase in inventories of \$5,900 relates to the revaluation of the Fairfield Portfolio at market value less selling costs estimated at 3% of market value.
- 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 value.

Note 6: Retained earnings

- Increase in financial assets of \$873 relating to the upward revaluation of the investment in Fox Riverside.
- Decrease in financial assets of \$2,462 relating to the downward revaluation of the investment in PF2.

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	
PF1's Pro-Forma Net Assets	7.1.1	\$1,532,225
Intangible Assets	Note 1	-
Deferred Tax Assets/Liabilities	Note 2	-
Value of 100% of PF1		\$1,532,225
No. of PF1 A Class Shares*	Note 3	3,299,801
Value per PF1 A Class Share	Note 4	\$0.4643

Source: William Buck's assessment

*After cancellation of 1,213,200 PF1 A Class Shares under the Share Buy-Back which closed on 7 August 2009.

Note 1: Intangible Assets

PF1 has no intangible assets recorded 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

The Share Buy-Back closed on 7 August 2009 with acceptances received for approximately 1,213,200 PF1 A Class Shares to be cancelled. 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 Revised 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 which closed on 7 August 2009.

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 undertook a Share Buy-Back which was approved by shareholders on 5 February 2009. Under the Share Buy-Back, PF1 A Class Shareholders were offered \$0.55 cash consideration per share for up to 40% of each A Class Shareholder's interest.

The Share Buy-Back closed on 7 August 2009 where a total of 1,213,200 acceptances were received for PF1 A Class Shares to be cancelled. The cost of the Share Buy-Back amounted to approximately \$667,260 (excluding any transaction costs) which was 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	0.4643	0.4643
Genuine offers received	7.2	0.30	0.55

Source: William Buck's assessment

PF1's assets comprise mainly of real-estate properties and cash 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 implied by recent offers received supports the valuation derived under our primary valuation method.

As such, we have adopted a value of **\$0.4643** 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 used PF2's unaudited net assets as at 30 June 2009 and have made pro-forma adjustments to:

- 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 unaudited balance sheet of PF2 as at 30 June 2009, the pro-forma adjustments made and the resulting pro-forma balance sheet as at 30 June 2009.

Pro-Forma Balance Sheet of PF2 as at 30 June 2009

	Ref	30-Jun-09 Unaudited	Total Adjustments	Pro-Forma Adjusted
Current Assets				
Cash and cash equivalents		793,287	-	793,287
Trade and other receivables		95,169	-	95,169
Total Current Assets		888,456	-	888,456
Non-Current Assets				
Investments accounted for using the equity method	1	62,780	(163)	62,617
Property	2	1,608,641	(160,762)	1,447,879
Total Non-Current Assets		1,671,421	(160,925)	1,510,496
Total Assets		2,559,877	(160,925)	2,398,952
Current Liabilities				
Trade and other payables		57,369	-	57,369
Short term borrowings		834,088	-	834,088
Total Current Liabilities		891,457	-	891,457
Total Liabilities		891,457	-	891,457
Net Assets		1,668,420	(160,925)	1,507,495
Equity				
Contributed equity		2,660,220	-	2,660,220
Reserves	3	258,805	(70,250)	188,555
Retained earnings	4	(1,250,605)	(90,675)	(1,341,280)
Total Equity		1,668,420	(160,925)	1,507,495

Source: PF2 Preliminary Final Report for the year ended 30 June 2009 and William Buck's assessment

Note 1: Investments accounted for using the equity method

- Decrease of \$163 relates to the downward revaluation of the 31.17% interest in Fox Riverside.

Note 2: Properties

- Decrease of \$90,512 relates to the downward revaluation of the interest in the joint venture with Fox Riverside No. 2 Pty Limited.
- Decrease of \$70,250 relates to the downward revaluation of the Toowoomba Portfolio at market value less selling costs estimated at 3% of market value.

Note 3: Reserves

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

Note 4: Retained earnings

- Decrease of \$163 relates to the downward revaluation of the 31.17% interest in Fox Riverside.
- Decrease of \$90,512 relates to the revaluation of the interest in the joint venture with Fox Riverside No. 2 Pty Limited.

8.1.2 Valuation Calculation

Based on the pro-forma balance sheet 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	\$1,507,495
Intangible Assets	Note 1	-
Deferred Tax Assets/Liabilities	Note 2	-
Value of 100% of PF2		\$1,507,495
No. of PF2 A Class Shares	4.4	3,017,999
Value per PF2 A Class Share		\$0.4995

Source: William Buck's assessment

Note 1: Intangible Assets

PF2 has no intangible assets recorded 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 **\$0.4995** per PF2 A Class Share.

9. Evaluation of the Revised Offer

9.1. Fairness Assessment

Under the Revised Offer, PF1 A Class Shareholders will receive nine PF2 A Class Shares for every ten PF1 A Class Shares held and an additional cash of two cents for every PF1 A Class Share 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	\$0.4995
Value of Scrip Consideration Offered per PF1 A Class Share		\$0.4496
Value of Cash Consideration Offered per PF1 A Class Share	1.2	\$0.0200
Total Consideration Offered per PF1 A Class Share		\$0.4696
Assessed Value per PF1 A Class Share	7.3	\$0.4643

Source: William Buck analysis

As demonstrated above our assessed value of the total consideration offered by PF2 exceeds our assessed value of the PF1 A Class Shares.

In our opinion, the Revised Offer is fair to the PF1 A Class Shareholders when assessed based on the guidelines set out in RG 111.

9.2. Reasonableness Assessment

Under RG111, an offer is reasonable if it is fair. On this basis, we also conclude that the Revised Offer is reasonable. We have considered the following factors in assessing the reasonableness of the Revised Offer.

Advantages for the PF1 A Class Shareholders

Potential Improved Liquidity and Ability to Access Capital

If the Revised Offer is successful, the combined entity would have a higher number of shares on issue and market capitalisation which may result in improved trading activity and 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.

Potential Economies of Scale and Rationalisation of Expenses

PF2 intends to consolidate and rationalise corporate office functions (such as treasury, financial reporting, corporate affairs and information technology) which is expected to result in reduced overheads for the combined group. 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 on a pro-rata basis with the remaining 25% dividend 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' will share on a pro-rata basis in 100% of any dividends declared if the takeover bid is successful.

Retention of Control

PF1 A Class Shareholders collectively hold 75% (after the cancellation of 1,213,200 PF1 A Class Shares pursuant to the Share Buy-Back which closed on 7 August 2009) of the voting rights in PF1. If the takeover bid by PF2 is successful, PF1 A Class Shareholders would own approximately 51% of the combined group. 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 Share Buy-Back Price

The total consideration under the Revised Offer is less than the \$0.55 per share cash consideration offered to PF1 A Class Shareholders under the Share Buy-Back which closed on 7 August 2009. Despite the Share Buy-Back only applying to 40% of each PF1 A Class Shareholder's holding, the Revised Offer represents a discount of 14% 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 Revised 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 Revised Offer is successful, it would result in a 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

We conclude that the Revised Offer is both fair and 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
Cash Consideration Offer	PF2's Cash Consideration Offer of two cents for every PF1 A Class Share as contained in the Supplementary Bidder's Statement
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

Term	Definition
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)
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 21 September 2009
Revised Offer	The Offer, as set out in the Bidder's Statement and the Cash Consideration Offer, as set out in the Supplementary Bidder's Statement, collectively
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 which closed on 7 August 2009
Supplementary Bidder's Statement	The Supplementary Bidder's Statement for PF1 prepared by PF2, dated 10 August 2009
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 drafts of this Report to PF1 for comment as to factual accuracy, as opposed to opinions, which are the responsibility of William Buck alone. No changes were made to this Report as a result of the reviews completed by PF1.

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 Revised Offer.

VMC Global Pty Limited, a company associated with William Buck, by way of a common director, was engaged by PF1 to provide an independent expert report dated 1 October 2008 in relation to the off-market takeover bid by Pritchard announced on 5 August 2008.

William Buck was engaged to provide an independent expert report dated 22 December 2008 in relation to the Share Buy-Back which was announced by PF1 on 23 December 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 was engaged by PF1 to provide an independent expert report dated 24 December 2008 in relation to the off-market takeover bid made by Primrose Capital Management Pty Ltd announced on 1 December 2008.

William Buck was engaged to provide an independent expert report dated 3 July 2009 in relation to the Offer contained in the Bidder's Statement dated 22 May 2009.

William Buck had no part in the formulation of the Offer or the Cash Consideration Offer. Except as noted above, its only role has been the preparation of the above independent expert reports.

William Buck is entitled to receive a fee for the preparation of this Report of up to \$10,000 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) PF2's Supplementary Bidder's Statement, 10 August 2009
- c) Annual Report of PF1 for the years ended 30 June 2007 and 2008
- d) Financial Review Report of PF1 for the half year ended 31 December 2008
- e) Unaudited Preliminary Final Report of PF1 for the year ended 30 June 2009 released to the NSX on 15 September 2009
- f) Top 20 Shareholder register of PF1 as at 26 August 2009
- g) Target Statement issued by PF1 in response to the Offer, 3 July 2009
- h) Supplementary Target's Statement issued by PF1, 20 July 2009
- i) Draft Second Supplementary Target' Statement to be issued by PF1 in response to the Cash Consideration Offer in which this Report is attached to
- j) PF1's Constitution
- k) Unaudited Management Accounts of Fox Riverside for the 12-months ended 30 June 2009
- l) Unaudited Management Accounts of PF1 and PF2 for the 12-months ended 30 June 2009
- m) Unaudited Management Accounts of the joint venture between Fox Riverside and Freeman Fox Investments for the twelve months ended 30 June 2009
- n) Unaudited Management Accounts of the joint venture between PF2 and Fox Riverside No. 2 Pty Ltd for the twelve months ended 30 June 2009
- o) Annual Report of PF2 for the years ended 30 June 2007 and 2008
- p) Financial Review Report of PF2 for the half year ended 31 December 2008
- q) Unaudited Preliminary Final Report of PF2 for the year ended 30 June 2009 released to the NSX on 14 September 2009
- r) Various enquiries with PF1's management, legal advisers and tax advisers
- s) Information available on the corporate website of PF1, accessed August 2009, <http://www.propertyfoxno1.com.au>

- t) Information available on the corporate website of PF2, accessed August 2009,
<http://www.propertyfoxno2.com.au>
- u) Publicly available information regarding PF1 and PF2
- v) 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 cannot 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.

**Schedule
PF 2 Announcement**



10th August 2009

**CASH TO BE ADDED TO PROPERTY FOX NO. 2 LIMITED SHARE PRICE
AT 64% ACCEPTANCE
AND
EXTENSION OF OFFER PERIOD**

2 cents per share to be added to the offer price.

Property Fox No.2 Limited (**PF2**) today announced that if successful in securing acceptances to its offer to take its total relevant interest to 64% or more of Property Fox No.1 Limited (**PF1**) A Class Shares, PF2 will vary its formal bid consideration to add 2 cents per A Class Share in addition to the existing consideration which comprises 9 PF2 A Class Shares for every 10 PF1 A Class Share.

In a joint statement the Independent Director's of PF2 Mr Peter Conway and Mr Ben Doyle stated that, "The addition of 2 cents cash consideration per share represents excellent value for PF1 shareholders. PF1 shareholders should accept the offer now without delay."

Extension of Offer Period

To enable PF1 shareholders more time to accept, PF2 has extended the Offer Period.

The Offer is now scheduled to close at **7.00pm (AEST) on Wednesday 30 September 2009 (unless extended).**

By accepting the offer, you will receive consideration of 9 PF2 A Class Shares for every 10 PF1 A Class Shares subject to the satisfaction or waiver of the conditions of the offer. **If acceptances reach 64%, consideration will also include an additional 2 cents per share.**

PF2's offer for PF1 represents an exceptional opportunity for PF1 shareholders.

The logical alternative for PF1 shareholders is clear:

ACCEPT the PF2 offer.

By accepting the offer you will become a shareholder in a company with double the assets, more shareholders with the potential for greater liquidity in the trading of its shares and reduced overheads per dollar of asset value.

So what do you need to do?



You should support the PF2 offer by sending in your completed acceptance forms accepting the PF2 offer.

ACCEPT THE PF2 OFFER

**The PF2 offer is open and is scheduled to close on 30th September 2009
(unless extended).**

You may contact the PF2 Offer Information Line on 07 3031 9950 if you need another acceptance form or if you have any questions in relation to the PF2 offer.

Shareholders can contact the company for more information in relation to the above.

About Property Fox No.2 Limited

Property Fox No. 2 Limited is a real estate investment Company which has holdings in a range of residential properties in Queensland. Property Fox No. 2 Limited listed on the National Stock Exchange of Australia on 28 February 2007.

Property Fox No.2 Limited Forward - Looking Statements

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