

ASX RELEASE

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Folkestone Limited announces result for the period ended 31 December 2010

Folkestone Limited (ASX:FLK) today announced an operating loss after tax for the six months ended 31 December 2010 of \$10.16m compared to a net loss after tax of \$0.90m for the corresponding period in 2009.

The result includes \$9.68 million of non-cash provision items relating to the impairment of carrying values of interests in current development projects as detailed further in the Half Year Report.

Legal and accounting expenses associated with evaluating the EREP acquisition and the associated prospective capital raising has impacted the net loss after tax by \$0.28m.

The net tangible asset backing at 31 December 2010 is 16.8 cents compared with 27.0 cents per share at 30 June 2010.

The Board has resolved not to pay a dividend in respect of the period ended 31 December 2010.

A copy of the Appendix 4D and the Half Year Report has been released simultaneously to the ASX which contain further details in relation to the Company's results.

Outlook

In August 2009, Folkestone announced that it would pursue an orderly sell down of existing projects in a manner and within a timeframe that would maximise shareholder returns whilst pursuing opportunities to transition into a larger listed real estate development, investment and funds management company. The stated timeframe for completing the orderly sell through of existing projects was December 2011.

The Noone Street residential project remains on track to be completed by January 2012, however the ability of Folkestone to achieve this timeframe for the Millers Road and Donnybrook Road projects in a manner that will maximise Shareholders returns continues to be impacted by the subdued state of the bulky goods and industrial property markets.

The current market conditions together with Folkestone's limited capital base, limited cash reserves, upcoming debt expiries, the fact that its investments include joint venture and

minority interests, and lack of scale and liquidity, will continue to impact Folkestone's ability to deliver earnings growth and Share price performance in the future.

RECAPITALISATION PROPOSAL

As at the date of this report, the Company's securities are in voluntarily suspension on the ASX whilst it continues to consider an alternative recapitalisation proposal as announced to the ASX on 3 February 2011 and a revised EREP acquisition and capital raising proposal which has subsequently been received. It is expected that the suspension will end before the commencement of trading on Thursday 10 February 2011 at which time the Company will provide further details to the market.

For further information regarding this announcement please contact:

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