

ASX ANNOUNCEMENT

9 June 2011

Folkestone Commits to New Developments in Growth Strategy

Folkestone Limited is pleased to announce that it is committing \$9.7m to new real estate development transactions in two of Australia's fastest growing population regions.

The investments are the first initiatives under Folkestone's new growth strategy and involve the commitment of funds from the Company's recent successful capital raising.

Folkestone will invest up to \$6.1m in a residential sub-division (subject to rezoning approval) in Officer, in the south east growth corridor of Melbourne and up to \$3.6m in an accommodation and housing solution in the key regional mining town of Karratha, in the north west of Western Australia.

Folkestone's Chairman Mr Garry Sladden said, "we are being presented with a diverse range of real estate investment opportunities and we are very pleased about the opportunities presented by these investments in two of Australia's strong growth areas. Both of these investments fit within the return criteria we have previously announced to the market. In addition to these two investments, we are currently exploring further opportunities to increase our exposure to attractive value-add and opportunistic real estate investments and funds management activities."

Officer

The investment in Officer, Victoria, involves a joint venture with Integrated Development an experienced Melbourne-based residential real estate developer. It involves the acquisition of a 50% interest in a 14.1 hectare site which is the subject of a residential re-zoning process in Officer, which is located in the third fastest growing local government area in Australia¹. Under

¹ Year to June 2010 Source: ABS - Regional Population Growth, Australia, 2009-10

Folkestone

the terms of the transaction, settlement of the land is subject to re-zoning which is anticipated to occur in mid 2012. Folkestone's initial commitment is \$0.38m with a total potential commitment of approximately \$6.1m. Planned sales from the Officer residential development are expected to settle in the second half of 2013.

Folkestone Managing Director Mr Greg Paramor said, "Officer secures our position in this key growth corridor of Melbourne and the deferred settlement terms are in line with our focus on efficient use of capital".

Karratha

The investment in Karratha has also been made through a joint venture with experienced West Australian real estate developers and investors.

The investment involves the acquisition of a 25% interest in an accommodation and housing development in this key mining region of WA. Stage 1 of the development, known as The Ranges, comprises a mix of residential and short stay dwellings together with shared facilities including lifestyle facilities. Through this joint venture, Folkestone has also acquired a 25% interest in an Option to Purchase a further 7.1 hectares of adjoining land.

Mr Paramor said: "The Ranges investment provides Folkestone with an excellent opportunity to deliver much needed quality accommodation in Karratha, the gateway to the Pilbara".

"Both transactions demonstrate our ability to source and invest in attractive real estate investment opportunities that combine our capital and real estate expertise with proven local operators with specialist skills necessary to deliver successful outcomes" Mr Paramor added.

For further details on the transactions please refer to the attached summary sheet.

For further information regarding this announcement please contact:

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BACKGROUND INFORMATION ON OFFICER AND THE RANGES, KARRATHA

OFFICER

Officer is located in the Cardinia Shire, ranked as the third fastest growing local government area in Australia in 2010². The Cardinia Urban Growth Area is in Melbourne's south-east growth corridor and was created when the State Government extended Melbourne's urban growth boundary.

Officer is a 50/50 joint venture between Folkestone and Integrated Development, a Melbourne based property development company specialising in land subdivision and mixed-use development.

THE RANGES, KARRATHA

Karratha is the largest community in the Pilbara Region and is home to close to 14,000 people including a substantive number of fly in fly out workers. The Pilbara Region has a rapidly growing population due to a number of large scale natural resource projects in the region comprised mainly of mining and oil and gas operations. Continuing expansion of these operations, new projects and continued investment in infrastructure are expected to drive further economic and population growth in the Pilbara Region, which in turn will lead to increasing demand for permanent and short-term accommodation demand.

Stage 1 of The Ranges comprises 2.2 hectares with a "Tourism" zoning and DA approval for 108 single level, one bedroom villas with shared guest facilities, including a pool and gymnasium. The Ranges is conveniently located 1.5km from the CBD on Karratha Road, the main road which connects Karratha to the North West Coastal Highway. The development will provide much needed short and long-term accommodation for Karratha visitors.

To date 98% of the Stage 1a villas have been sold off the plan with construction to commence later in 2011. A further two tranches of villas in Stage 1 are forecast to be released in June and December 2011 respectively.

Folkestone's 25% interest in The Ranges is in joint venture with a consortium including highly experienced real estate developers and investors who have extensive experience in developing and marketing real estate in Western Australia, including the North West.

² Year to June 2010 Source: ABS – Regional Population Growth, Australia, 2009-10