

ASX RELEASE

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Folkestone Limited

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Supplementary information to Notice of Meeting documentation

In relation to the Notice of Meeting documentation released to the ASX on 10 January 2011, Folkestone Limited wishes to advise of the following supplementary information:

Further clarification on the Realisation Strategy

- As stated in the Notice of Meeting documentation, the Folkestone Board engaged KPMG, as the major accounting firm, to report to the independent directors of Folkestone on benchmarking the New Strategy against a strategy of the orderly realisation of existing property projects and the subsequent return of capital (**Realisation Strategy**), leading to a winding up of Folkestone.
- Based on the information provided to and reviewed by KPMG, an estimated nominal return per share range of \$0.14 - \$0.23 by December 2012 was apparent under the Realisation Strategy. This range was inclusive of estimated sale and wind-up costs and was subject to the assumptions and qualifications set out in KPMG's report.
- Current property market conditions together with Folkestone's limited capital base, limited cash reserves, upcoming debt expiry (Millers Road Altona – November 2011 and Donnybrook Road Mickleham – December 2011) and the fact that its investments include joint venture and minority interests continue to adversely impact the ability of Folkestone to effectively complete the Realisation Strategy in a timely manner. These factors may impact on the ultimate realisation value of Folkestone's assets under such a strategy. Further to this the Board has commissioned external formal valuations to assist with the review of the carrying value of Folkestone's interests in the Millers Road Altona and Donnybrook Road Mickleham projects as at 31 December 2010. The results of this review will be announced to the ASX as part of Folkestone's Half Year Report.
- Taking in to account the output from KPMG's benchmarking analysis, the factors mentioned above as well as all other relevant information, the Folkestone Board formed the view and recommended, in the absence of a superior proposal, the approval of the New Strategy.

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Further clarification on Resolution 2

- In relation to Resolution 2 and in accordance with ASX requirements, a minimum price for the proposed capital raising must be specified. The Company announced in the Notice of Meeting that the minimum price for the Capital Raising which the Company is seeking approval from the Shareholders for is \$0.08 per Share. The final price for the Capital Raising has not been decided, but the New Board has advised that it is their intention that it will be significantly above 8 cents.
- The New Board has advised that it is their intention to undertake the Capital Raising at a price that is in the best interest of the Company and all shareholders and minimises the potential dilution to existing shareholders. The New Board will set the price for the Capital Raising in consultation with any possible underwriters and with reference to market conditions at that time, the results of the review of the carrying values of Folkestone's projects and the price required to achieve a successful Capital Raising. The Capital Raising is anticipated to include a placement to institutions and sophisticated investors and a public offer and a priority entitlement offer to existing shareholders under a prospectus.

Capitalised terms in this announcement have the meaning given to them in the Notice of Meeting documentation.

For further information regarding this announcement please contact:

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