

ASX RELEASE

29 April 2010

Folkestone Limited

ACN 004 715 226
Suite 8, 14 Lionel Road
Mount Waverley, Victoria 3149
P. O. Box 229
Mulgrave, Victoria 3170
Telephone: 03) 9543 2544
Facsimile: 03) 9544 6290
email: office@folkestone.com.au
website: www.folkestone.com.au

Strategic Placement, potential acquisition and potential recapitalisation of Folkestone Limited

Consistent with its prior announcements to the market, Folkestone Limited (ASX:FLK) has continued to pursue a transition into a larger listed real estate development, investment and funds management company.

Folkestone has been active in identifying and assessing a range of market opportunities, which have the ability to maximise shareholder value in the context of current market conditions, whilst continuing to manage its existing projects in a manner consistent with its prior announcements.

Accordingly, Folkestone announces it has entered into an arrangement to place a total of 12,970,204 ordinary shares in Folkestone (Placement). A portion of these shares are to be issued to the shareholders of Equity Real Estate Partners Pty Ltd (EREP), a real estate investment management company owned by Greg Paramor, Jonathan Sweeney and Adrian Harrington. The remaining portion of these shares are to be issued to other sophisticated private investors.

Folkestone has strengthened its shareholder base through this Placement. Further, upon completion of the Placement, the board of Folkestone will be strengthened through the appointment of Greg Paramor and Hugh Gurner as non-executive directors. For further details on each director please refer to the career summaries attached below.

The Placement, priced at 12¢ per share (a small discount to the current share price), will provide total proceeds of \$1,556,424.48 with settlement scheduled for Tuesday 4 May 2010. The additional equity funding will be used to meet the working capital requirements of Folkestone. No shareholder approval for the Placement is required.

Folkestone's Chairman, Mr Alister Maitland, welcomed the strategic investment. He said the Placement brought additional working capital and a relationship with a team with significant expertise in real estate development, investment and funds management. Mr Maitland stated "On behalf of the Board of Folkestone I welcome Mr Paramor and Mr Gurner to the Board. We look forward to working with them to progress Folkestone's strategies."

Communications between the parties have involved the potential purchase of EREP, the employment of EREP's principals on appropriate performance incentive arrangements and a recapitalisation of Folkestone which may coincide with a restructure of the composition of the Folkestone board and EREP principals assuming management control.

These discussions are still preliminary in nature and are subject to negotiation, due diligence and definitive documentation. If an agreement can be reached, Folkestone will call a meeting of shareholders to approve any such transaction. There are no consequences for any parties if the transaction does not proceed or does not proceed as contemplated.

Mr Paramor said he and his team were attracted to Folkestone as they saw an opportunity to grow the Company through greater access to capital and diversifying Folkestone's interests to include real estate funds management.

"As active investors, developers and fund managers of real estate assets for over 30 years, we look forward to progressing our strategic discussions with Folkestone with a view to creating value for all shareholders" he said.

Folkestone continues to work with its advisors in this regard.

For further information regarding this announcement, please contact:

Mr Oscar Guglielmi
CEO & Managing Director
Folkestone Limited
03-9543-2544

Mr Scott Martin
CFO & Company Secretary
Folkestone Limited
03-9543-2544

Greg Paramor

Greg is a founding partner of Equity Real Estate Partners. Greg has been involved in the real estate and funds management industry for more than 35 years, and was the co-founder of Growth Equities Mutual, Paladin Australia and the James Fielding Group. Greg was the CEO of Mirvac between 2004 and 2008. Greg is a past president of the Property Council of Australia and past president of Investment Funds Association, a Fellow of the Australian Property Institute and The Royal Institute of Chartered Surveyors. Greg is a director of a number of not-for-profit organisations, including the Garvan Institute of Medical Research and the National Breast Cancer Foundation. Greg is also a board member of the Sydney Swans and a director of LJ Hooker.

Hugh Gurner

Hugh Gurner has extensive experience in the property sector as an analyst and corporate adviser and has held board positions in a number of ASX listed and unlisted companies including executive and non-executive roles as a founding director of listed property funds management and venture capital companies. He is a Fellow of the Australian Institute of Company Directors and holds a Bachelor of Arts degree.