Folkestone

Annual General Meeting
24 November 2009

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Overview

- 2009 Year In Review
  - Summary of Result
  - Strategic Review
  - Implementation of Strategy
    - Stage 1 – Realisation Strategy
    - Stage 2 – Transition Strategy
- Questions

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2009 Year in Review

Summary of 2009 result

- Net loss after tax for the year ended 30 June 2009 was $3.7m compared to net profit after tax of $3.1m in the previous year
- The result was impacted by the following material items
  - Provisions made against carrying value of development projects
  - In relation to Access Constructions, impairment of goodwill paid on acquisition as well as a favourable one-off settlement of a copyright infringement claim.
- The net effect on the loss from these material items was $5.6m, of which over $5m related to non-cash items

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2009 Year in Review

Strategic Review

- The significant deterioration in financial and property markets over the past 12 months required Folkestone to re-assess its strategic direction
- The market has particularly changed for property developers in terms of access to debt capital and joint ventures
- The combination of tightening credit markets and a very small capital base has restricted Folkestone's ability to build a diversified portfolio of development assets capable of delivering consistent earnings to shareholders
- In response to the changing market conditions, Folkestone announced a change in strategic direction simultaneously with a 2 for 1 renounceable rights issue.

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2009 Year in Review

Implementation of Revised Strategy

Stage 1 – Realisation Strategy

- Lock in inherent value of existing assets by undertaking an orderly sell through of existing projects in a manner and within a timeframe that will maximise shareholders investment.
  - The objective of the Company is to bridge the gap between the existing share price and the underlying value of the shares
  - In working through and realising its existing developments in an orderly manner, Folkestone will position itself to achieve incremental returns should property markets recover further during this period.

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Folkestone Limited - current share price discount relative to NTA

Item	Estimated Book Value	Estimated Debt	Estimated Book value net of debt	Estimated Book value per share
Noone Street	$10.247m	$(2.897)m	$7.350m	$0.09
Millers Road	$8.865m	$(4.500)m	$4.365m	$0.05
Donnybrook Road	$20.816m	$(17.846)m	$2.970m	$0.03
Cash/Net working capital	$13.543m	-	$13.543m	$0.16
Total	$53.471m	$(25.243)m	$28.228m	$0.33
Shares on Issue			86.468m	
Current Share Price				$0.135

* These values are current book values (unaudited). Market conditions remain challenging and this makes it impractical to predict outcomes from the sale of assets with a high degree of certainty

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2009 Year in Review

Current status of Realisation Strategy

- Donnybrook Road, Mickleham
  - Since last AGM, the land has been re-zoned from farmland to Business 1 and 3 which will enable the land to be developed for employment uses
  - Joint venture is now in the process of bringing infrastructure services to the site
- 300 Millers Road, Altona
  - Senior debt facility has been re-financed with St George Bank in November 2009 for a 12 month term.
  - Site currently being marketed via Expression of Interest campaign by Colliers International and CB Richard Ellis.
- The Terraces, Clifton Hill
  - Pre-sales performing very well, 73% of total estimated revenue pre-sold
    - Remaining balance of 8 apartments and 12 townhouses currently being marketed
  - Construction activity currently underway
  - First settlements forecast June 2010 quarter
- Hume Central, Broadmeadows
  - Folkestone's role in this project, if successful with the tender, will be as development manager for which it will be paid a fee. It will not be investing capital in this project

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2009 Year in Review

Stage 2 - Transition Strategy

- Second part to Folkestone's new strategy is to pursue a transition into a mid-scale, lowly geared property company which provides shareholders with reliable and transparent earnings and distributions in an orderly fashion over the next 12 months

- To achieve this, Folkestone has commenced actively seeking opportunities to grow the business and will be assessing these opportunities within the following parameters:
  - The Company can operate at a much larger scale with minimal increase in overheads – enhancing shareholder returns
  - Any transactions will be measured against a return of capital through the realisation strategy.

- To the extent the Company does not re-invest capital released from the realisation of development assets into new assets, it will distribute the returns or buy back capital as appropriate.

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- Questions?

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