

ASX Release

29 May 2014

Company Announcements
Australian Securities Exchange Limited
20 Bridge Street
Sydney, NSW 2000

Recapitalisation Proposal Update

As announced to the market on 1 May 2014, the Board of Firstfolio Limited (ASX:FFF) (**Firstfolio** or **Company**) has resolved in principle to proceed with a proposal submitted by Welas Pty Ltd (an entity controlled by director Tony Wales) to refinance and extend the maturity of the Company's existing \$29 million senior debt facility (**Welas Proposal**). This refinancing remains subject to the finalisation of binding documentation and other terms and conditions which are customary for facilities of this nature.

Against this backdrop, the Board has today resolved to terminate the transaction documents for the IZN Recapitalisation Proposal due to the material breach of those transaction documents by IZN Investments ACE Management Pty Ltd as trustee for the IZN Investments Australian Capital Enterprise Trust (**Trustee**) in failing to provide the recapitalisation funds to Firstfolio. Further, the Entitlement Offer which formed part of the IZN Recapitalisation Proposal will not be proceeding.

As the IZN Recapitalisation Proposal will no longer be proceeding, the conditions precedent for the 10 for 1 consolidation of the Company's share capital approved at the Extraordinary General Meeting held on 27 November 2013 (**Consolidation**) have not been satisfied. Consequently, the Consolidation will not be proceeding.

The Company is continuing to work towards finalising binding documentation and implementing the Welas Proposal as soon as practicable.

Dustine Pang
Company Secretary

About Firstfolio Limited

Firstfolio Limited (ASX: FFF) is a mortgages and financial services distribution business which offers a diversified range of mortgage solutions through its two key businesses; eChoice and Folio Mortgage & Finance. Firstfolio also offers its customers an alternative funding option through Firstfolio Capital.

eChoice is one of Australia's most recognised online mortgage brands, using industry leading technology to provide customers with mortgage and financial product options through convenient online portals. Folio Mortgage & Finance provides mortgage products, mortgage processing and management services, personal loan products, commercial loans, as well as equipment finance and leasing. Products are provided via a national network of mortgage brokers, affiliates and industry partners.

Loans under management (LUM) were \$19 billion at 30 June 2013 – making it one of Australia's largest independent platforms for the delivery of financial products and services.