

ASX ANNOUNCEMENT

15 November 2013

FOLKESTONE ANNOUNCES \$25 MILLION EQUITY RAISING TO FUND NEW ACQUISITIONS AND FUTURE GROWTH

Folkestone Limited (ASX code: FLK) today announces a \$25 million equity raising to take advantage of a number of current opportunities which will accelerate the growth of its funds management platform and provide it with exposure to the Sydney residential development market.

USE OF EQUITY RAISING PROCEEDS

Funds from the equity raising will initially be applied to:

- establish and underwrite the \$18 million West Ryde Development Fund (“Fund”) which will develop, in joint venture with Toga, a 205 apartment and mixed use development in West Ryde, Sydney. FLK will retain a 50 per cent equity interest in the Fund following sell down of the remaining interest to external investors. The Fund is forecast to deliver a minimum IRR of 18 per cent (pre-tax, after fees). As the fund manager, FLK will generate acquisition, on-going management and potential performance fees from the Fund. FLK will also generate development profits from its co- investment in the Fund;
- an investment in the ASX listed Australian Education Trust (ASX code: AEU), which is the largest of FLK’s managed funds. AEU has today announced a \$45 million capital raising to fund approximately \$64 million of acquisitions including the unlisted Folkestone Childcare Fund. FLK intends to sub-underwrite \$6.0 million of the AEU offer to acquire an interest in AEU; and
- provide FLK with additional working capital to accelerate the growth of its funds management platform and its pipeline of on-balance sheet development activities. FLK is in negotiation on a number of assets that will provide the basis to either launch new income or development funds, or provide an attractive opportunity for FLK to invest capital directly.

FLK’s Managing Director, Greg Paramor, said: “We are very pleased with what we have achieved for our shareholders since the recapitalisation of FLK in April 2011, and the proceeds from this equity raising will allow us to continue to accelerate the growth and profitability of the business. The West Ryde Development Fund is a good example of our model - we are establishing and underwriting a new fund with a quality joint venture partner that will provide FLK with acquisition, management and potential performance fees as well as providing a direct equity exposure to the Sydney residential development market through FLK’s co-investment in the Fund”.

DETAILS OF THE EQUITY RAISING

FLK is undertaking a \$25 million equity raising at an offer price of \$0.165 cents per new FLK share (“Equity Raising”). The offer price represents a 9.9% per cent discount to the 5-day volume weighted average price of FLK shares to 13 November 2013.

The Equity Raising will consist of:

- a \$9.2 million placement to existing and new institutional investors (“Placement”); and
- a 1.0 for 3.86 non-renounceable entitlement offer to existing eligible shareholders to raise \$15.8 million (“Entitlement Offer”), comprising:

- an accelerated Institutional Entitlement Offer¹, and
- a Retail Entitlement Offer

Managing Director of FLK, Greg Paramor and Non- Executive Director, Mark Baillie have committed to subscribe for their full entitlements in addition to sub-underwriting a component of the Entitlement Offer.

BG Capital Corporation Limited and Moelis Australia Advisory Pty Ltd (“Moelis”) are acting as Joint Lead Managers for the Equity Raising. The Equity Raising is fully underwritten by Moelis.

The Placement and Institutional Entitlement Offer are expected to settle on Wednesday 20 November. The Retail Entitlement Offer will be open from Thursday 21 November to Monday 9 December 2013.

FLK retail shareholders with a registered address in Australia or New Zealand as at 7:00pm (AEDT) Tuesday 19 November 2013 (“Record Date”) (“Eligible Retail Shareholders”) will be entitled to participate in the Retail Entitlement Offer at the same offer price as the Institutional Entitlement Offer and on the terms, and subject to the conditions, as outlined in the Retail Entitlement Offer Booklet that will be sent to Eligible Retail Shareholders. Eligible Retail Shareholders may also apply for new shares in excess of their entitlement (up to a cap of \$100,000 per Shareholder and subject to scale back and otherwise as described in the Retail Entitlement Offer Booklet).

The Entitlement Offer is non-renounceable and rights will not be tradeable on ASX or otherwise transferable. Eligible Shareholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect of those entitlements that they do not take up.

The Company will be in a trading halt until the close of the market on Monday 18 November 2013 and will re-commence normal trading on Tuesday 19 November 2013.

Additional Information

Additional information regarding the Equity Raising is contained in the investor presentation released to ASX today.

For further information regarding this announcement please contact:

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About Folkestone

Folkestone (ASX:FLK) is an ASX listed real estate investment, development and funds management company. Folkestone’s on balance sheet activities focus on value-add and opportunistic real estate investments and its funds management platform offers listed and unlisted funds to private clients, high net worth individuals and institutional investors.

¹ Under the Institutional Entitlement Offer, new shares in respect of institutional entitlements not subscribed for, as well as the right to subscribe for new shares which would have otherwise been offered to ineligible shareholders, will be placed into an institutional bookbuild at the offer price.