



ASX ANNOUNCEMENT

21 November 2013

FOLKESTONE LIMITED NON-RENOUNCEABLE ENTITLEMENT OFFER – LETTER TO INELIGIBLE SHAREHOLDERS

Please find attached the letter dispatched to ineligible Shareholders today.

For further information regarding this announcement please contact:

Mr Scott Martin
Company Secretary
Folkestone Limited
03 8601 2050

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.

21 November 2013

Dear Shareholder

Notification to Ineligible Shareholders - Accelerated Non-Renounceable Entitlement Offer

On 15 November 2013, Folkestone Limited ACN 004 715 226 (**Folkestone**) announced its intention to raise AUD\$25 million through a placement to institutional investors (**Placement**) and an accelerated non-renounceable pro-rata entitlement offer to eligible shareholders to subscribe for 1 new share in Folkestone (**New Share**) for every 3.86 existing shares at a price of \$0.165 cents per New Share (**Entitlement Offer**).

The proceeds of the capital raising will be utilised to:

- establish and underwrite the \$18 million West Ryde Development Fund which will develop, in joint venture with Toga, a 205 apartment and mixed used development in West Ryde, Sydney;
- an investment in the ASX listed Australian Education Trust (ASX code: AEU). AEU has announced a \$45 million capital raising to fund approximately \$64 million of acquisitions. Folkestone has agreed to sub-underwrite \$6.0 million of the AEU offer to acquire an interest in AEU; and
- provide Folkestone with additional working capital to accelerate the growth of its funds management platform and its pipeline of on-balance sheet development activities.

The Entitlement Offer is being made by Folkestone without disclosure under Part 6D.2 of the *Corporations Act 2001* (Cth) (**Corporations Act**) as modified by the Australian Securities and Investment Commission Class Order 08/35. Further information in relation to the Entitlement Offer has been disclosed to the ASX.

Eligibility criteria

Folkestone has determined pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules and section 9A(3)(a) of the Corporations Act, that it would be unreasonable to make or extend offers to shareholders in certain countries outside of Australia and New Zealand under the Entitlement Offer because of the legal limitations of making or extending an offer of New Shares in some countries, the relatively small number of shareholders in those countries, the number and value of shares to which those shareholders would otherwise be entitled and the potential cost of complying with regulatory requirements in those countries.

Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Corporations Act, Folkestone wishes to advise you that it will not be extending the Entitlement Offer to you and you will not be able to subscribe for New Shares under the Entitlement Offer.

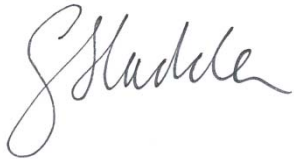
As the Entitlement Offer is non-renounceable, you will not receive any payment or value for these entitlements.

You are not required to do anything in response to this letter. This notice is to inform you of the Entitlement Offer. This notice is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares.

Folkestone

If you have any queries, please call the Folkestone Offer Information Line on +61 2 8667 2800 between 8.30am and 5.00pm (AEDT) Monday to Friday (excluding public holidays).

Yours sincerely

A handwritten signature in black ink, appearing to read 'G Sladden', written in a cursive style.

Garry Sladden
Chairman and Non-Executive Director of Folkestone Limited

This notice does not constitute an offer to sell, or the solicitation of an offer to buy, any securities. Neither the entitlements nor the New Shares referred to herein have been, or will be, registered under the U.S. Securities Act 1933 (Securities Act) or the securities laws of any other state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up by, and the New Shares may not be offered or sold to, persons in the United States or in any other jurisdiction outside Australia or New Zealand.