



**ASX ANNOUNCEMENT
26 NOVEMBER 2014**

NON-RENOUNCEABLE ENTITLEMENT OFFER – LETTER TO INELIGIBLE SHAREHOLDERS

Please find attached the letter to ineligible Shareholders to be dispatched on 2 December 2014.

For further information regarding this announcement please contact:

SCOTT MARTIN
Company Secretary
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About Folkestone

Folkestone (ASX:FLK) is an ASX listed real estate funds manager and developer providing real estate wealth solutions. Folkestone's funds management platform, with approximately \$850 million under management, offers listed and unlisted real estate funds to private clients and select institutional investors, while its on balance sheet activities focus on value-add and opportunistic (development) real estate investments. www.folkestone.com.au

Folkestone Limited
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Level 12, 15 William Street
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2 December 2014

Dear Shareholder

RE: Notification to Ineligible Shareholders - Non-Renounceable Entitlement Offer

On 24 November 2014, Folkestone Limited ACN 004 715 226 (**Folkestone**) announced its intention to raise AUD \$42 million through a placement to institutional investors (**Placement**) and a non-renounceable entitlement offer to eligible retail shareholders to subscribe for 1 new share in Folkestone (**New Share**) for every 4 existing shares at a price of \$0.20 cents per New Share (**Entitlement Offer**).

The proceeds from the equity raising will initially be applied to:

- fund the purchase of:
 - 9.0 million units in the ASX listed Folkestone Education Trust (**FET**) from the ASX listed Folkestone Social Infrastructure Trust (**FST**) for \$16.8 million pursuant to an agreement with FST, subject to the approval of FST Unitholders at a meeting scheduled for 19 December 2014; and
 - 11.3 million units in FET for \$21.7 million pursuant to an agreement with a third party holder of FET units (which is conditional on settlement of the Placement); and
- providing working capital to accelerate the growth of its pipeline of on-balance sheet development activities and funds management platform. FLK is in exclusive due diligence on 6 development projects across the residential (land subdivision and apartment markets), mixed use and neighbourhood retail sectors. These projects have a combined end value of more than \$715 million, of which FLK's share would be approximately \$332 million, and will provide the basis for FLK to either invest capital directly, launch new development funds and/or co-invest in its development funds. Some of these projects may also provide completed product for our unlisted real estate income series.

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 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 affected, 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.

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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.

If you have any queries, please call the Folkestone Offer Information Line on +61 3 8601 2668 between 8.30am and 5.00pm (AEDT) Monday to Friday (excluding public holidays).

Yours sincerely

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.

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