



Folkestone

NOTICE OF ANNUAL  
GENERAL MEETING

2015

# Notice of Annual General Meeting

**Folkestone Limited ABN 21 004 715 226**

The forty eighth Annual General Meeting of **Folkestone Limited** will be held at the offices of Folkestone at Level 12, 15 William Street, Melbourne, VIC, 3000 on **Thursday, 22 October 2015 commencing at 11:30am AEDT.**

## Agenda

### 1. Financial statements

To receive and consider the Directors' Report, Financial Statements and Independent Audit Report for the financial year ended 30 June 2015.

### 2. Resolution 1 - Re-election of Mr Mark Baillie

To consider and, if thought fit, to pass the following as an ordinary resolution:

*"That Mr Mark Baillie, a Director retiring from office by rotation in accordance with Article 58 of the Constitution, being eligible, is re-elected as a Director of the Company."*

### 3. Resolution 2 - Adoption of the remuneration report

To consider and, if thought fit, to pass the following as an advisory ordinary resolution:

*"That the remuneration report for the financial year ended 30 June 2015 be adopted."*

**Note to Shareholders:** The vote on this item is advisory only and does not bind the Directors or the Company.

### 4. Resolution 3 – Ratification of the placement of Shares to institutional investors in December 2014

To consider and, if thought fit, to pass the following as an ordinary resolution:

*"That the issue of 78,756,571 ordinary Shares in the Company to institutional investors on 4 December 2014, as described in the Explanatory Memorandum accompanying this Notice of Meeting convening the Meeting, is ratified and approved for the purposes of ASX Listing Rule 7.4 and for all other purposes."*

### 5. Resolution 4 – Approval for additional Share placement capacity

To consider and, if thought fit, to pass the following as a special resolution:

*"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of an additional 10% of the issued Shares in the Company at the time of issue calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum."*

### 6. Resolution 5 – Approval for Consolidation of Share capital

To consider and, if thought fit, to pass the following as an ordinary resolution:

*"That, for the purposes of section 254H(1) of the Corporations Act and for all other purposes, the Share capital of the Company be consolidated through the conversion of every five fully paid Shares in the Company into one fully paid Share in the Company and that any resulting fractions of a Share be rounded*

*up to the next whole number of Shares with the consolidation to take effect in accordance with the timetable and otherwise on the terms and conditions set out in the Explanatory Memorandum."*

## Voting exclusion statements

### Resolution 2

The Company will disregard any votes cast on Resolution 2 by or on behalf of:

- a member of the Key Management Personnel, details of whose remuneration are included in the remuneration report; or
- any closely related party of such a member.

However, the Company does not need to disregard votes by such a person provided:

- the voter casts the vote as proxy for another person who is entitled to vote if the vote is cast in accordance with the directions on the proxy form; or
- the voter is the chair of the Meeting and is appointed as a proxy for a person who is entitled to vote and the vote is cast either:
  - in accordance with the direction on the proxy form; or
  - in circumstances where the proxy form does not specify the way the proxy is to vote on the resolution and the proxy form expressly authorises the chair to exercise the proxy (even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company).

### Resolution 3

The Company will disregard any votes cast on Resolution 3 by any person who participated in the institutional placement the subject of Resolution 3 and any associate of that person.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### Resolution 4

The Company will disregard any votes cast on Resolution 4 by any person who may participate in the proposed issue of Shares under Resolution 4, and any person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if Resolution 4 is passed, and any associate of such persons.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Note: In accordance with ASX Listing Rule 14.11.1 and the relevant note under that rule concerning ASX Listing Rule 7.1A, as at the date of this NOM, it is not known who may participate in the proposed issue (if any). As such, no Shareholders are currently excluded from voting on Resolution 4.**

By Order of the Board  
Scott Martin  
Company Secretary



18 September 2015

# Explanatory Memorandum

## Folkestone Limited Annual General Meeting

### Recommendation

The Directors of the Company recommend that Shareholders vote in favour of each of the Resolutions.

### Item 1 – Financial statements

In accordance with section 317 of the Corporations Act, the Financial Report, the Directors' Report and Auditor's Report for the most recent financial year will be tabled before the Meeting.

No resolution is required by either the Corporations Act or the Constitution, however, Shareholders will be given a reasonable opportunity to ask questions and make comments on these reports at the Meeting.

### Item 2 (Resolution 1) – Re-election of Mr Mark Baillie

Mr Baillie was appointed as a non-executive Director of the Company in February 2013. Pursuant to article 58 of the Constitution, Mr Baillie retires and offers himself for re-election as a Director of the Company.

Details in relation to Mr Baillie are as follows:

#### **Mark Baillie** **B.Com, CA** **Non-Executive Director**

Mark was appointed as Non-Executive Deputy Chairman of Folkestone in February 2013. Prior to this Mark was Macquarie Group Limited's Head of Real Estate – Europe and North America. During his 14 years at Macquarie, Mark was responsible for the creation and listing of three listed AREITs on the ASX and was an AREIT CEO for five years. Mark was located in Chicago, USA (2001 to 2006) and London, UK (2006 to 2009) in order to create and manage Macquarie Real Estate's business in both regions. Mark was a director on the boards of the responsible entities of all Macquarie's listed AREITs. In addition, Mark has been a director of the following real estate industry bodies, the Property Council of Australia, the Shopping Centre Council of Australia, the Association of Foreign Investors in Real Estate (past Chairman) and the European Public Real Estate Association. Mark is currently a director of the American Australian Association Limited and the United States Studies Centre Limited. The Board unanimously recommends that Shareholders vote in favour of the re-election of Mr Baillie.

### Item 3 (Resolution 2) - Adoption of Remuneration Report

As required by section 250R(2) of the Corporations Act, a resolution that the remuneration report for the year ended 30 June 2015 be adopted must be put to a vote. The vote on the remuneration report is advisory only and will not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

A copy of the remuneration report is set out in the Company's 2015 annual report and financial report. The annual report and financial report can also be found on the Company's website at [www.folkestone.com.au](http://www.folkestone.com.au).

A reasonable opportunity will be provided for discussion of the remuneration report at the Meeting.

### Item 4 (Resolution 3) - Ratification of placement of Shares to institutional investors in December 2014

On 4 December 2014, the Company issued 78,756,571 new Shares pursuant to an institutional placement at a price of 20.0 cents per Share to sophisticated, professional and wholesale clients identified by Moelis Australia Advisory Pty. Ltd. ACN 142 008 446.

The institutional placement was conducted in conjunction with an entitlement offer to raise \$42 million. Funds from the equity raising were applied to secure a strategic stake in the Folkestone Education Trust as well as provide additional working capital to accelerate the growth of the Company's funds management platform and its pipeline of on-balance sheet development activities.

Shares issued under the institutional placement ranked equally with existing Shares from the date of issue.

The purpose of Resolution 3 is to enable further placements of Shares to occur within the following 12 month period (i.e. 4 December 2014 to 4 December 2015) after which time the placement capacity is automatically refreshed.

#### **Why is Resolution 3 being proposed?**

ASX Listing Rule 7.1 imposes a limit on the number of shares that an entity can issue or agree to issue by way of placement in a 12 month period without shareholder approval. Generally, and subject to the exceptions set out in ASX Listing Rule 7.2, an entity may not, without Shareholder approval, issue by way of placement in any 12 month period more than 15% of the number of shares on issue 12 months before the date of the issue. The institutional placement the subject of Resolution 3 was made in accordance with the Company's placement capacity under ASX Listing Rule 7.1. As such, if Resolution 3 was not passed, the Company could not undertake any further institutional placements of Shares until 5 December 2015. However, if Resolution 3 is passed, the Company's placement capacity will be refreshed which will allow the Company to undertake further placements prior to 5 December 2015.

#### **What does refreshment mean for Shareholders?**

##### **Advantages**

The effect of an approval of Resolution 3 would be that the Shares issued under the institutional placement (the subject of Resolution 3) would not reduce the number of Shares that could be issued by the Company prior to 5 December 2015 without Shareholder approval (within the 15% limit) and will increase the base number of Shares from which the 15% calculation is made.

Such a Resolution provides the Company with funding flexibility in respect of potential acquisitions, investment opportunities, and general capital management initiatives that may arise from time to time.

##### **Disadvantages/Risks**

The key potential disadvantage and risk associated with Resolution 3 is if the Company issues further equity by way of a placement (which it would be able to do, should Shareholders approve Resolution 3) the percentage holdings in the Company of Shareholders who do not participate in that future issue will be reduced. Furthermore, the value of Shareholders' Shares may be impacted by the price at which any new Shares are placed.

The Directors are of the opinion that this potential disadvantage and risk is substantially outweighed by the potential advantages and benefits associated with the Company refreshing its placement capacity, and accordingly considers that Resolution 3 is in the best interests of all Shareholders. However, Shareholders should consider their individual circumstances and make their own determination as to how to vote on Resolution 3.

#### **What happens if Resolution 3 is not approved?**

If Shareholders do not approve Resolution 3, the Company's ability to participate in any suitable investment opportunity in a timely manner, or at all, may be constrained.

### Item 5 (Resolution 4) - Approval of additional 10% Share placement capacity

The Company is requesting Shareholders to approve, as a special resolution, Resolution 4 which will have the effect of allowing the Company to place an additional number of Shares (**Additional 10% Capacity**) calculated as 10% multiplied by Variable A under ASX Listing Rule 7.1 which is essentially the

number of fully paid Shares on issue 12 months prior to the proposed issue date plus the number of Shares issued under an exception in ASX Listing Rule 7.2 (e.g. a rights issue) or with the approval of Shareholders. Any Shares issued pursuant to the Additional 10% Capacity must be issued within a period of 12 months after the date of the Meeting.

This Additional 10% Capacity is in addition to the 15% placement capacity of the Company permitted by ASX Listing Rule 7.1.

Listing Rule 7.3A requires that the following information must be contained in any notice of meeting seeking enhanced placement approval from shareholders:

#### Minimum price at which the Shares may be issued

All Shares will be issued for cash consideration.

In accordance with the ASX Listing Rules, Shares will be issued pursuant to the Additional 10% Capacity at a minimum price equal to 75% of the volume weighted average price (VWAP) of Shares calculated over the 15 trading days on which trades in Shares were recorded immediately before:

- the date on which the price at which the Shares are to be issued is agreed; or
- if the Shares are not issued within 5 trading days of the date in the bullet point immediately above, the date on which the Shares are issued.

#### Date of issue

If Resolution 4 is approved, Shares may be issued pursuant to the Additional 10% Capacity commencing on the date of the Meeting and expiring on the earlier of:

- 12 months after the date of the Meeting; and
- the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change of the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

The approval under Listing Rule 7.1A will cease to be valid in the event that Shareholders approve a transaction under ASX Listing Rule 11.1.2 or 11.2.

#### Risk of economic and voting power dilution that existing non-participating Shareholders may suffer as a result of the potential issue

In circumstances where Shares are issued pursuant to the Additional 10% Capacity and existing Shareholders do not participate in such an issue, there is a risk that such Shareholders will have their economic and voting power in the Company diluted.

Shareholders should also be aware of the following risks:

- there is risk that the market price for Shares may be significantly lower on the issue date than on the date of the Meeting; and
- there is a risk that the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

If Resolution 4 is approved by Shareholders and the Company issues the maximum number of Shares available under the Additional 10% Capacity, the economic and voting dilution of existing Shares would be as shown in the table at the bottom of page 3.

The table shows the potential dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A.2, on the basis of the current VWAP of Shares calculated over the 15 trading days on which trades in Shares were recorded immediately prior to the date of the NOM and on the basis of the current number of Shares on issue as at the date of this NOM.

The table also shows the voting dilution impact where the number of Shares on issue changes and the economic dilution where there are changes in the issue price of Shares issued under the Additional 10% Capacity.

The dilution table has been prepared on the following hypothetical assumptions. The Company does not represent that they will necessarily occur:

- the Company issues the maximum number of Shares available under the Additional 10% Capacity which results in the 10% voting dilution referred to below;
- any increase in the current Shares on issue assumes Variable A has increased to this number such that the Additional 10% Capacity is based on the higher number of Shares on issue;
- the table shows only the effect of issues of Shares under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1;
- the table does not show the dilution that may be caused to any particular Shareholder by reason of placements made under ASX Listing Rule 7.1A, based on that Shareholder's holding at the date of the Meeting. For instance, Shareholders will have different outcomes depending on whether or not they participate in a pro-rata issue which has the effect of increasing variable "A"; and
- the current Issue Price is assumed to be \$0.20, being the approximate 15 day VWAP of the Shares traded up to 11 September 2015, the date immediately prior to finalising this Notice of Meeting.

#### Allocation under the Additional 10% Capacity

The allottees of the Shares to be issued (if any) pursuant to the Additional 10% Capacity have not yet been determined. However, the allottees could consist of current Shareholders or new investors, or a combination of both. No Shares will be issued pursuant to the Additional 10% Capacity to related parties of the Company.

In determining the allottees of the Shares to be issued pursuant to the Additional 10% Capacity, the Company will have regard to the following factors:

- the purpose of the issue;
- alternative methods of raising funds available to the Company at that time including an entitlement issue or other offer where existing Shareholders may participate;
- the effect of the issue on the control of the Company;
- the circumstances of the Company, including the financial position and solvency of the Company;

Number of Shares on issue		Dilution		
		\$0.10 50% decrease in Issue Price	\$0.20 Current Issue Price	\$0.40 100% increase in Issue Price
736,531,824	10% voting dilution	73,653,182	73,653,182	73,653,182
Current Shares on issue	Funds raised	\$7,365,318	\$14,730,636	\$29,461,273
1,104,797,736	10% voting dilution	110,479,774	110,479,774	110,479,774
50% increase in current Shares on issue	Funds raised	\$11,047,977	\$22,095,955	\$44,191,909
1,473,063,648	10% voting dilution	147,306,365	147,306,365	147,306,365
100% increase in current Shares on issue	Funds raised	\$14,730,636	\$29,461,273	\$58,922,546

- prevailing market conditions; and
- any advice from corporate, financial or broking advisers.

#### **Purpose of issue under the Additional 10% Capacity**

As set out above, all Shares will be issued for cash consideration.

While the Company does not have any immediate plans to issue Shares, purposes for which Shares may be issued pursuant to Resolution 4 may include the raising of capital to facilitate further growth of its funds management platform and its pipeline of on-balance sheet development activities.

#### **Share issues during the previous 12 months**

The following Shares have been issued by the Company in the 12 months preceding the date of the Meeting:

- As set out above, on 4 December 2014, the Company issued 78,756,571 new Shares pursuant to an institutional placement at a price of 20.0 cents per Share;
- In conjunction with the institutional placement 131,243,429 new Shares were issued by the Company pursuant to an entitlement offer at a price of 20.0 cents per Share; and
- 1,488,017 Shares have been issued to employees of the Company in accordance with the Executive Incentive Plan.

The funds raised from the institutional placement and entitlement offer were applied to secure a strategic stake in the Folkestone Education Trust as well as provide additional working capital to accelerate the growth of its funds management platform and its pipeline of on-balance sheet development activities.

#### **Previous approval under ASX Listing Rule 7.1A**

The Company has not previously obtained (or tried to obtain) Shareholder approval under Listing rule 7.1A.

#### **What does the Additional 10% Capacity mean for Shareholders?**

##### **Advantages**

The effect of an approval of Resolution 4 would be that the Company can increase the number of Shares it can issue in the 12 month period following the Meeting without Shareholder approval by an additional 10% of the number of Shares on issue calculated in accordance with the ASX Listing Rules.

Such a resolution provides funding flexibility in respect of potential acquisitions, investment opportunities, and general capital management initiatives that may arise from time to time.

##### **Disadvantages/risks**

The key potential disadvantage and risk associated with Resolution 4 is if the Company issues an additional 10% of equity by way of a placement (which it would be able to do, should Shareholders approve Resolution 4) the percentage holdings in the Company of Shareholders who do not participate in that future issue will be reduced. Furthermore, the value of Shareholders' Shares may be impacted by the price at which any new Shares are placed.

The Directors are of the opinion that this potential disadvantage and risk is substantially outweighed by the potential advantages and benefits associated with the Company increasing its placement capacity, and accordingly considers that Resolution 4 is in the best interests of all Shareholders. However, Shareholders should consider their individual circumstances and make their own determination as to how to vote on Resolution 4.

#### **Item 6 (Resolution 5) – Approval for Consolidation of its Share Capital**

Pursuant to section 254H of the Corporations Act, the Company proposes to consolidate its share capital through the conversion of every five Shares into one Share (**Consolidation**).

Listing Rule 7.20 requires that the following information must be contained in any Notice of Meeting which sets out a resolution to reorganise the capital of a company:

#### **Reasons for the Consolidation**

Folkestone has 736,357,825 Shares currently on issue. The number of Shares on issue is relatively large when compared to entities listed on the ASX which are similar to the Company. The Share Consolidation is likely to result in a more appropriate and effective capital structure for the Company and a Share price more appealing to a wider range of investors.

#### **Effect of the Consolidation**

If the proposed Consolidation is approved by Shareholders, the number of Shares in the Company will reduce from approximately 736,531,824 Shares to approximately 147,306,365 Shares.

As the Consolidation applies equally to all Shareholders, individual Shareholdings will be reduced in the same ratio as the total number of Shares on issue (subject only to the rounding of fractions). Therefore, the Consolidation will have no material effect on the percentage interests of each individual Shareholder in the Company.

The Consolidation will not result in any change to the substantive rights and obligations of Shareholders. The Company's balance sheet and tax position will also remain unchanged as a result of the Consolidation.

In addition, the number of Performance Rights and Share Appreciation Rights on issue under the Executive Incentive Plan will be consolidated using the same ratio as for Shares.

#### **Treatment of fractional entitlements**

Where the Consolidation of a Shareholder's holding results in an entitlement to a fraction of a Share, the fraction will be rounded up to the nearest whole number of Shares.

If the Company believes that a Shareholder has been a party to the division of a holding in an attempt to obtain an advantage from this treatment of fractions, the Company will take appropriate steps, having regard to all applicable laws, to disregard the division of holdings for the purposes of dealing with fractions.

#### **Tax implications for Shareholders**

No capital gains tax (CGT) event should occur for Australian tax residents as a result of the Consolidation and there should be no other taxation implications arising for Shareholders.

This summary is general information only and particular taxation implications will depend upon the circumstances of each Shareholder. Accordingly, Shareholders should seek their own professional advice in relation to their tax position. The Company and its associates do not assume any liability or responsibility for advising Shareholders about the tax consequences of the proposed Consolidation.

#### **Holding statements**

All existing holding statements will cease to have effect from the date of the Consolidation, except as evidence of entitlement to a certain number of Shares on a post Consolidation basis. After the Consolidation becomes effective, the Company will arrange for new holdings statements to be issued to Shareholders.

**Proposed timetable**

If approved by Shareholders, the proposed Consolidation will take effect in accordance with the following indicative timetable:

Key event	Indicative date
Annual General Meeting	22 October 2015
Notification to ASX as to whether the Consolidation is approved	22 October 2015
Last day for trading in pre-consolidated Shares	23 October 2015
Trading in consolidated Shares on a deferred settlement basis commences	26 October 2015
Last day to register transfers on a pre-Consolidation basis	28 October 2015
Registration of shares on a post-Consolidation basis	29 October 2015
Despatch of new holding statements	4 November 2015
Deferred settlement trading ends	4 November 2015
Normal trading commences	5 November 2015

The above dates are indicative only and are subject to change. The Company will announce any date changes to the ASX.

**No other material information**

Other than as set out in this Explanatory Memorandum, or as previously disclosed to Shareholders, there is no other information that is known to the Company which may reasonably be expected to be material to the making of a decision by the Shareholders regarding the Consolidation.

# General Explanatory Notes

## 1. Voting at the Meeting

A Shareholder who is entitled to vote may vote on the items of business to be considered at the Meeting either in person at the Meeting or by completing and returning the proxy form enclosed with this Notice of Meeting.

If you attend the Meeting, you will need to register at the registration desk upon arrival on the day of the Meeting. The registration desk will be open from 11:15am AEDT.

## 2. Voting by proxy

A Shareholder who is entitled to vote at the Meeting has the right to appoint:

- one proxy if the Shareholder is only entitled to one vote; or
- one or two proxies if the Shareholder is entitled to more than one vote.

Where the Shareholder appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.

A proxy may be an individual or a body corporate and does not need be a Shareholder of the Company. A body corporate appointed as a proxy may then nominate an individual to exercise its powers at the Meeting.

Where a Shareholder nominates the Chair of the Meeting as their proxy but does not indicate their voting intention, the Chair will (subject to law) vote the proxy in favour of all Resolutions.

The proxy form and the original power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the Company, by no later than **11:30am AEDT on Tuesday 20 October 2015**. The completed proxy form may be lodged using the following methods:

- Mailed to Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 (using the enclosed reply paid envelope);
- Faxed to +61 2 9290 9655; or
- Delivered by hand to Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000.

If you require an additional proxy form, the Company will supply it on request.

Corporate Shareholders who wish to appoint a person to act as its representative at the Meeting can do so by providing that person with a certificate executed in accordance with section 127 of the Corporations Act authorising that person to act as its representative at the Meeting. The representative must bring the certificate with them to the Meeting.

## 3. Resolution Requirements

Resolution 1 (Item 2), Resolution 2 (Item 3), Resolution 3 (Item 4) and Resolution 5 (Item 6) are ordinary resolutions and will be passed if more than 50 per cent of the votes cast by Shareholders (in person or by proxy) entitled to vote on the Resolutions are in favour of the Resolutions.

Resolution 4 (Item 5) is a special resolution and will be passed if at least 75 per cent of the votes cast by Shareholders (in person or by proxy) entitled to vote on the Resolution are in favour of the Resolution.

The vote on Resolution 2 (Item 3) is advisory only and does not bind the Directors or the Company.

## 4. Voting entitlements

In accordance with section 1074E(2)(g) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Company has determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the register of Shareholders as at **7.00pm AEDT on Tuesday 20 October 2015**. Share transfers registered after that time will be disregarded in determining entitlements to vote at the Meeting.

If more than one joint holder of Shares is present at the meeting (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

## 5. Questions and comments by Shareholders at the Meeting

In accordance with the Corporations Act, a reasonable opportunity will be given to Shareholders, as a whole, to ask questions or make comments on the management of the Company and the remuneration report at the Meeting.

Similarly, a reasonable opportunity will be given to Shareholders, as a whole, to ask the Company's external auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the auditor's report;
- the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to the external auditor (via the Company) if the question is relevant to:

- the content of the audit report; or
- the conduct of its audit of the Company's annual financial report for the year ended 30 June 2015.

A list of those relevant written questions will be made available to Shareholders attending the Meeting. The external auditor will either answer the questions at the Meeting or table written answers at the Meeting. If written answers are tabled at the Meeting, they will be made available to Shareholders as soon as practicable after the Meeting.

Please send any relevant questions for the external auditor to the Company at our registered office, Level 12, 15 William, Street Melbourne VIC 3000 or by fax to +61 3 9200 2282, marked for the attention of the Company Secretary by no later than 5.00pm AEDT on Thursday 15 October 2015.

## GLOSSARY

**AEDT** means Australian Eastern Daylight Time.

**Additional 10% Capacity** has the meaning given to it on page 3 of this NOM.

**AREIT** means Australian real estate investment trust.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691.

**Board** means the board of Directors of the Company as constituted from time to time.

**Company** means Folkestone Limited ABN 21 004 715 226.

**Consolidation** means the proposed consolidation of Shares in the Company as described in Item 6 of the Explanatory Memorandum.

**Constitution** means the constitution of the Company, as amended from time to time.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director/s** mean the director/s of the Company.

**Executive Incentive Plan** means the Company's Executive Incentive Plan referred to in the Explanatory Memorandum.

**Explanatory Memorandum** means the explanatory memorandum accompanying the Notice.

**Key Management Personnel** means those persons having authority and responsibility for planning, directing and controlling the activities of the Company (directly or indirectly), including any Director (whether executive or otherwise) of the Company.

**Meeting** or **Annual General Meeting** means the annual general meeting convened by the Notice.

**Notice, NOM** or **Notice of Meeting** means the Notice of Meeting on page 1.

**Performance Rights** means performance rights issued pursuant to, and in accordance with, the Executive Incentive Plan.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Share** means a fully paid ordinary share or shares in the capital of the Company.

**Share Appreciation Rights** means share appreciation rights issued pursuant to, and in accordance with, the Executive Incentive Plan.

**Shareholder** means a holder of a Share.

**VWAP** means volume weighted average price.





#### All Correspondence to:

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia  
  
Level 12, 225 George Street,  
Sydney NSW 2000 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

☎ **By Phone:** (within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

## YOUR VOTE IS IMPORTANT

For your vote to be effective this proxy form must be received **by 11.30am AEDT on Tuesday 20 October 2015.**

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a Shareholder of the company. Do not write the name of the issuer Company or the registered Shareholder in the space.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the Meeting and vote. If you wish to appoint a second proxy, an additional proxy form may be obtained by contacting the Company's Share registry or you may copy this form.

#### To appoint a second proxy you must:

- complete two proxy forms. On each proxy form state the percentage of your voting rights or the number of Shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your Shares will be voted in accordance with such a direction unless you indicate only a portion of Shares are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your Shares your vote on that item will be invalid.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the Meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the Company's Share registry.

#### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the Shareholder.

**Joint Holding:** where the holding is in more than one name, all the Shareholders should sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it. Please note that original or certified copies may only be lodged by mail or in person. They may not be faxed or lodged online.

**Companies:** this form must be signed by a director jointly with either another director or a company secretary. Where the company has a sole director who is also the sole company secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the Meeting, therefore **by 11.30am AEDT on Tuesday 20 October 2015.** Any proxy form received after that time will not be valid for the scheduled Meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia

👤 **In Person** Level 12, 225 George Street,  
Sydney NSW 2000 Australia

#### Attending the Meeting

If you wish to attend the Meeting please bring this form with you to assist registration.

#### Interpretation

Capitalised terms in this proxy form have the same meaning as defined in the accompanying Notice of Meeting.



# Folkestone

FOLKESTONE LIMITED  
ABN 21 004 715 226

### Your Address

This is your address as it appears on the Company's Share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Shareholders sponsored by a broker should advise their broker of any changes.  
**Please note, you cannot change ownership of your Shares using this form.**

## PROXY FORM

### STEP 1 APPOINT A PROXY

I/We being a member/s of **Folkestone Limited** (Company) and entitled to attend and vote hereby appoint:

the **Chair of the Meeting (mark box)**

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered Shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the offices of **Folkestone Limited at Level 12, 15 William Street, Melbourne Vic 3000 at 11:30am AEDT on Thursday, 22 October 2015** and at any adjournment or postponement of that Meeting, to act generally on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

**Important note for Resolution 2:** If I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair of the Meeting becomes my/our proxy by default) and am/are entitled to vote on Resolution 2, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of Resolution 2 (and any motion for amendment of, or any procedural motion relation to, that resolution) even though the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company and the Chair is a member of the Key Management Personnel.

### STEP 2 VOTING DIRECTIONS

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	To re-elect Mr Mark Baillie as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	To ratify the placement of Shares to institutional investors in December 2014	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	To approve additional Share placement capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	To approve Consolidation of Share capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2015