



Folkestone

NOTICE OF ANNUAL  
GENERAL MEETING

2016

# Notice of Annual General Meeting

**Folkestone Limited ABN 21 004 715 226**

The forty ninth Annual General Meeting of **Folkestone Limited** will be held at the offices of Deloitte Touche Tohmatsu at Level 9, Room 2, Grosvenor Place, 225 George Street, Sydney, NSW, 2000 on **Wednesday, 9 November 2016 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 2016.

### 2. Resolution 1 - Re-election of Mr Kenneth Ross Strang

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

*"That Mr Kenneth Ross Strang, 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 2016 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 – 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."*

### 5. Resolution 4 – Approval of Executive Incentive Plan and Issue of Shares Thereunder

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

*"That for the purposes of Listing Rule 7.2, exemption 9 and for all other purposes, approval is given:*

- (a) *in respect of the Executive Incentive Plan (Plan) for the provision of incentives to officers, employees, executives and senior management whom the Board determines to be eligible to participate in the Plan (Participants); and*
- (b) *for the grant of performance rights and/or share appreciation rights to Participants, and the subsequent issue or transfer of Shares to, or in relation to, Participants under the Plan."*

### Voting Exclusion Statements

#### Resolution 2

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

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

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

- a. 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
- b. 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 may participate in the potential issue of Shares contemplated under Resolution 3, and any person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if Resolution 3 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 3.**

#### Resolution 4

The Company will disregard any votes cast on Resolution 4 by the Directors of the Company, 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.

**By Order of the Board**  
**Scott Martin**  
**Company Secretary**



7 October 2016

# 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 Kenneth Ross Strang

Mr Strang was appointed as a Non-Executive Director of the Company in March 2011. Pursuant to Article 58 of the Constitution, Mr Strang retires and offers himself for re-election as a Director of the Company.

Details in relation to Mr Strang are as follows:

#### **Kenneth Ross Strang LLB (HONS), MAICD Non-Executive Director**

Mr Strang was appointed as Non-Executive Director of Folkestone in March 2011 and a Non-Executive Director of Folkestone Funds Management in May 2012. Mr Strang is a consultant to Kemp Strang, a Sydney commercial law firm. Mr Strang is one of Kemp Strang's founders and was a partner in the practice for over 30 years. Mr Strang has extensive experience in commercial real estate, construction and securities matters on a broad front and is well known in legal, commercial and community circles. He is a former non-executive Director of Mirvac Funds Management Limited and Mirvac Wholesale Funds Management Limited, and is a member of the Australian Institute of Company Directors.

### 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 2016 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 2016 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) - Approval for Additional Share Placement Capacity

The Company is requesting Shareholders to approve, as a special resolution, Resolution 3 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 3 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 3 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 number of 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 \$0.97, being the approximate 15 day VWAP of the Shares traded up to 27 September 2016, the date immediately prior to finalising this Notice of Meeting.

#### Allocation policy 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 a rights issue or other offer where all 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;
- 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 3 may include the raising of capital to facilitate further growth of its funds management platform and to fund 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:

298,861 Shares have been issued to employees of the Company in accordance with the provisions of the Executive Incentive Plan. This represents 0.20% of the total number of Shares on issue as at the date 12 months preceding the date of the Meeting.

These 298,861 Shares:

- are fully paid ordinary shares in the Company which rank equally with all other Shares on issue;
- were issued to Greg Paramor, Benjamin Dodwell, Adrian Harrington, Scott Martin, Nicholas Anagnostou, Travis Butcher and Mark Stewien, employees of the Company, pursuant to the Company's Executive Incentive Plan; and
- were issued for nil consideration in accordance with the terms of the Executive Incentive Plan.

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

The Company has previously obtained Shareholder approval under Listing rule 7.1A.

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

##### Advantages

The effect of an approval of Resolution 3 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, essentially allowing the Company to issue 25% of the number of Shares on issue calculated in accordance with the ASX Listing Rules in that 12 month period.

Such a resolution provides funding flexibility for the Company in respect of potential acquisitions, investment opportunities, and general capital management initiatives that may arise from time to time over the following 12 month period.

##### Disadvantages/risks

The key potential disadvantage and risk associated with Resolution 3 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 3) the percentage holdings in the Company of Shareholders who do not participate in that future issue will be diluted. 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 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.

Number of Shares on issue	Voting dilution	Dilution		
		\$0.485 50% decrease in Issue Price	\$0.97 Current Issue Price	\$1.94 100% increase in Issue Price
147,605,620	10% voting dilution	14,760,562	14,760,562	14,760,562
Current Shares on issue	Funds raised	\$7,158,873	\$14,317,745	\$28,635,490
221,408,430	10% voting dilution	22,140,843	22,140,843	22,140,843
50% increase in current Shares on issue	Funds raised	\$10,738,309	\$21,476,618	\$42,953,235
295,211,240	10% voting dilution	29,521,124	29,521,124	29,521,124
100% increase in current Shares on issue	Funds raised	\$14,317,745	\$28,635,490	\$57,270,981

## Item 5 (Resolution 4) – Approval of Executive Incentive Plan and Issues of Shares Thereunder

The Company remains committed to providing a remuneration strategy which is designed to attract, retain and motivate appropriately qualified and experienced Directors and senior executives.

Key principles in developing the remuneration structure and levels include the creation of longer term Shareholder value, alignment with Shareholder interests, market competitiveness, recognition of individual performance and experience and divisional and group performance.

The Company has recently reviewed the Executive Incentive Plan. As a result of this review, some amendments have been made to that plan to bring it in line with current market conditions and practices. A summary of the Amended Plan Rules is provided below. Shareholders are being asked to consider and approve the Amended Plan at the Meeting.

The Amended Plan will replace the current Executive Incentive Plan. The Company intends to cease making new grants under the current Executive Incentive Plan from the date of the Meeting. However, the rights, entitlements and obligations of existing participants in the current Executive Incentive Performance Rights Plan will continue on the same basis as before the introduction of the Amended Plan.

The Amended Plan is designed to:

- assist with the attraction and retention of Directors, executives, senior managers and employees;
- continue to motivate and drive performance at both the individual and corporate level; and
- strengthen the alignment between employee and Shareholder interests.

### Reason for Seeking Approval

Shareholder approval of the Amended Plan is sought for all purposes under the Corporations Act and the ASX Listing Rules, including for the purposes of ASX Listing Rules 7.2, exception 9, so that any Shares issued under the Amended Plan will be excluded from the calculation of the maximum number of new Shares that can be issued by the Company in any 12 month period (currently 15% of shares previously on issue) for a period of 3 years from the date of approval.

### Number of Shares Issued Since Last Approval

The Executive Incentive Plan was last approved by Shareholders at the 22 October 2013 Annual General Meeting. A total of 1,253,473 Shares (adjusted for the 1 for 5 Share consolidation completed in November 2015) under the Executive Incentive Plan have been issued since Shareholders previously approved the Executive Incentive Plan on 22 October 2013.

The following issues of performance rights and share appreciation rights have been made since the Executive Incentive Plan was last approved by shareholders at the 22 October 2013 AGM:

- 1,109,706 performance rights were issued to executives and other staff (number of rights adjusted to reflect the impact of the 1 for 5 share consolidation completed in November 2015); and
- 1,462,544 share appreciation rights have been issued to executives and other staff (number of rights have been adjusted to reflect the impact of the 1 for 5 share consolidation completed in November 2015).

### Summary of the Amended Plan Rules

#### Eligibility

Eligibility is restricted to those "employees" who the Board determines in its discretion are eligible and should be invited to participate in the Amended Plan. Employees are defined in the Amended Plan as a person who is in the full or part time employment of the Company or its subsidiaries (including Directors).

#### Incentives offered under the Amended Plan

Employees selected for participation in the Amended Plan may be offered performance rights ("**Performance Rights**") and /or share appreciation rights ("**Share Appreciation Rights**").

A Performance Right is the right to receive a Share. On or after the vesting date, if the performance hurdles and tenure conditions are satisfied in respect of a Performance Right, the Participant has a right to exercise their Performance Right and the Company must, upon such exercise, procure the issue or transfer of a Share to the Participant. The Share may be subject to disposal conditions. If they are not vested and exercised within 15 years of their issue, or such shorter time as determined by the Board, Performance Rights lapse.

A Share Appreciation Right also represents the right to receive Shares. On or after the vesting date, if the performance hurdles and tenure conditions are satisfied in respect of a Share Appreciation Right, the Participant has a right to exercise their Share Appreciation Right and the Participant is eligible to receive a "Payout" calculated in accordance with the terms of issue of the Share Appreciation Right. Generally the "Payout" amount will be referable to the amount by which the prevailing 10 day VWAP of Shares as at the date of vesting of the Share Appreciation Right is greater than the 10 day VWAP of Shares as at the time of issue of the Share Appreciation Right or other date as determined by the Board. Upon exercising a vested Share Appreciation Right, the Company must procure the issue or transfer of such number of Shares as is determined by dividing the "Payout" amount by the prevailing 10 day VWAP of Shares as at the vesting date. If they are not vested and exercised within 15 years of their issue, or such shorter time as determined by the Board, Share Appreciation Rights lapse.

No monetary consideration will be payable by an employee for an award of Performance Rights or Share Appreciation Rights, nor will any amount be payable by the holder in connection with the vesting of a Performance Right or Share Appreciation Right.

Performance Rights and Share Appreciation Rights will not be quoted on the ASX or another financial market and will be subject to restrictions on transfer and hedging. Performance Rights and Share Appreciation Rights will not entitle the holder to receive any dividends from the Company or exercise any voting rights in respect of the Company.

The Board may elect to use, on such terms and conditions as determined by the Board in its absolute discretion, an employee share trust for the purpose of holding shares before or after the exercise of an Employee's Performance Rights and Share Appreciation Rights or delivering any shares to that Employee upon the vesting and exercise of a Performance Right or Share Appreciation Right currently on issue or to be issued in the future.

For the avoidance of doubt, the Board may do all things necessary for the establishment, administration, operation and funding of an employee share trust. This may include (without limitation) issuing shares to the trustee of the employee share trust (to be held for and then transferred to an Employee), or procuring that the trustee acquires shares to be held for the Employee's benefit before they are transferred to the Employee.

Shares delivered on the vesting and exercise of Performance Rights and Share Appreciation Rights will rank equally with those traded on the ASX at the time of issue.

## **Offers of Performance Rights and Share Appreciation Rights**

From time to time the Company may invite eligible employees to apply for either or a combination of Performance Rights and Share Appreciation Rights. Each invitation may set out, among other things:

- the number of Performance Rights and/or Share Appreciation Rights the Employee may apply for;
- the amount payable (if any) for the grant of the Performance Right or Share Appreciation Right or how it is calculated;
- the method by which the "Payout" for the Share Appreciation Right is calculated and the associated determination and payout dates;
- any performance hurdles (see below) attaching to the Performance Rights or the Share Appreciation Rights and the applicable vesting date or vesting dates ("**Vesting Date**");
- the manner in which a Participant may exercise a vested Performance Right or Share Appreciation Right;
- the circumstances in which accelerated vesting or lapsing of Performance Rights or Share Appreciation Rights will occur;
- the circumstances and dates on which the Performance Rights or Share Appreciation Rights will lapse ("**Expiry Date**"); and
- the Restriction Period (if any) in which the participant may not transfer or dispose of a Share received on the vesting of a Performance Right.

### **Performance Hurdles**

Performance Rights and Share Appreciation Rights will not vest, and the holders of Performance Rights or Share Appreciation Rights will not be entitled to Shares, unless the performance hurdles associated with those Performance Rights or Share Appreciation Rights are satisfied or waived. It is only after a Performance Right or Share Appreciation Right has vested that it can be exercised by the Participant resulting in the issue of Shares pursuant to the Plan. The Board will determine the applicable performance hurdles prior to Performance Rights or Share Appreciation Rights being granted. The hurdles may reflect the Company's business plans, targets, budgets and performance objectives.

### **Early Vesting of Rights**

Performance Rights and Share Appreciation Rights may vest or lapse earlier than the Vesting Date in certain circumstances. Where a participant ceases employment with the Company prior to the Expiry Date, the Performance Rights and Share Appreciation Rights will normally lapse. However, the Board has the discretion to vest part or all of a participant's Performance Rights or Share Appreciation Rights, including where:

- the participant's employment ceases due to death, retirement, total and permanent disablement or redundancy; or
- an event occurs in respect of the Company such as a change of control, receipt of a takeover bid, a court ordering the holding of a meeting in relation to a compromise or arrangement, a voluntary or compulsory winding up or Shares ceasing to be quoted on any exchange ("**Event**").

The Board also has the discretion to determine that a participant who dies or becomes totally and permanently disabled may retain their Performance Rights or Share Appreciation Rights as though they remained an Employee.

### **Early Lapse of Rights**

Performance Rights and Share Appreciation Rights, that have not vested and/or been exercised, lapse on the earlier of:

- 15 years from the date they were granted or such earlier date determined by the Board;
- the Board determining that a participant's Performance Rights or Share Appreciation Rights should lapse where it is of the opinion the participant has committed an act of fraud, dishonesty or wilful misconduct or is convicted of a criminal offence which may injure the Company's reputation or the participant leaves the Company and is not a good leaver or is otherwise a bad leaver;
- the participant becoming bankrupt; or
- the participant ceasing to be an employee and the Board not making a determination that the Performance Rights or Share Appreciation Rights vest or that the participant is to be treated as remaining employed for the purposes of assessing the vesting of the Performance Rights or Share Appreciation Rights.

### **Dealing with Rights and Shares**

Participants may not sell, assign, transfer or otherwise deal with, or grant a security interest over, their Performance Rights or Share Appreciation Rights. Performance Rights and Share Appreciation Rights lapse immediately on any purported sale, assignment, transfer, dealing or grant of security interest unless the Board in its absolute discretion approves the dealing or transfer or transmission is effected by force of law on death or legal incapacity to the participant's legal representative. Participants are prohibited from entering into any arrangement to hedge or otherwise affect their economic exposure to their Performance Rights or Share Appreciation Rights.

In addition, the Board may determine that participants will not be able to dispose or otherwise deal with the Shares they or their nominees receive on the vesting of Performance Rights or Share Appreciation Rights until a set disposal restriction ends. The terms of any disposal restrictions are to be set by the Board and specified in a participant's invitation.

### **New Issues and Reorganisations of Capital**

In the event of any capital reorganisation by the Company (including bonus issues, share splits, consolidations), the participant's Performance Rights and Share Appreciation Rights, and the Shares allocated to the participant on vesting of the Performance Rights or Share Appreciation Rights may be treated or adjusted, as set out in the Amended Plan Rules. In general, it is intended that the participant will not receive any advantage or disadvantage from such an adjustment not received by holders of Shares.

### **Change of Plan Rules**

Subject to the terms of the Amended Plan and the ASX Listing Rules, the Board may amend or vary the Amended Plan at any time in any manner it thinks fit in its absolute discretion.

However, the Amended Plan cannot be amended or varied in a manner which reduces the rights of participants in respect of Performance Rights or Share Appreciation Rights acquired by them prior to the date of the amendment without their consent other than an amendment:

- introduced primarily to the purpose of complying with law or ASIC policy;
- to correct any manifest error of mistake; or
- for the purpose of enable the Company or its subsidiaries, participants in the Amended Plan or groups of participants generally to receive more favourable taxation treatment in respect of their participation in the Amended Plan.

# 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:

- a. one proxy if the Shareholder is only entitled to one vote; or
- b. 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 Monday 7 November 2016**. 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) and Resolution 4 (item 5), 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 3 (Item 4) 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 Resolutions 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 Monday 7 November 2016**. 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:

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

- a. the content of the audit report; or
- b. the conduct of its audit of the Company's annual financial report for the year ended 30 June 2016.

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 14, 357 Collins Street, Melbourne VIC 3000 or by fax to +61 3 9046 9999, marked for the attention of the Company Secretary by no later than 5.00pm AEDT on Monday 7 November 2016.

## GLOSSARY

**AEDT** means Australian Eastern Daylight Time.

**Additional 10% Capacity** has the meaning given to it on page 2 of this NOM.

**Amended Plan** means the amended Executive Incentive Plan as described on page 4 and 5.

**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.

**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.

## DIRECTORY

### DIRECTORS

Garry R Sladden  
(Non-Executive Chairman)

Gregory J Paramor AO  
(Managing Director)

Mark W Baillie  
(Non-Executive Deputy Chairman)

Kenneth Ross Strang  
(Non-Executive Director)

### CHIEF FINANCIAL OFFICER & SECRETARY

Scott N Martin

### REGISTERED OFFICE

Level 14  
357 Collins Street  
Melbourne VIC 3000

### SHARE REGISTRY

Boardroom Pty Limited  
Level 12 Grosvenor Place  
225 George Street  
Sydney NSW 2000  
T: 1300 737 760

### AUDITOR

Deloitte Touche Tohmatsu  
550 Bourke Street  
Melbourne VIC 3000

### STOCK EXCHANGE LISTING

Folkestone Limited shares are listed on the Australian Securities Exchange. The ASX code is FLK.

### WEBSITE

[www.folkestone.com.au](http://www.folkestone.com.au)







#### 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 Monday 7 November 2016.**

### 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 Monday 7 November 2016.** 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 **Deloitte Touche Tohmatsu at Level 9, Room 2, Grosvenor Place, 225 George Street, Sydney, NSW, 2000 at 11:30am AEDT on Wednesday, 9 November 2016** 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 Resolutions 2 & 4:** 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 Resolutions 2 & 4, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of Resolutions 2 & 4 (and any motion for amendment of, or any procedural motion relation to, these resolutions) even though the resolutions are 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 Kenneth Ross Strang 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 approve additional Share placement capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	To approve the Executive Incentive Plan and issue of Shares thereunder	<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 / / 2016