

21 July 2014

The Manager  
ASX Market Announcements  
Australian Securities Exchange  
Exchange Centre  
Level 4  
20 Bridge Street  
Sydney NSW 2000

**Electronic Lodgement**

**Australian Foundation Investment Company Limited  
Share Purchase Plan**

Dear Sir / Madam

Directors have decided to make an offer to shareholders under a Share Purchase Plan (SPP) to raise additional equity for investment purposes.

Subject to other participation requirements, shareholders with a registered address in Australia and New Zealand on the register at 7.00pm (AEST) on Friday 18 July 2014 will be able to invest up to A\$15,000 in the Company's shares.

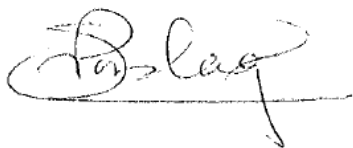
Shares issued under the SPP will rank equally with existing fully paid ordinary shares. The shares issued under the SPP will be eligible for any dividends that may be paid in respect of the financial year ending 30 June 2015.

The SPP issue price will be the lower of the Dividend Reinvestment Plan issue price for the forthcoming final dividend or a 2.5% discount to the volume-weighted average price of AFIC shares traded on the Australian Securities Exchange and Chi-X Australia automated trading systems over the 5 trading days up to, and including, the day on which the SPP offer is scheduled to close, rounded down to the nearest cent. AFIC will announce the final issue price after the SPP offer closes.

It is proposed that details of the SPP will be mailed to shareholders on Thursday 28 August 2014.

It is also proposed that applications will close on Thursday 25 September 2014 and shares are expected to be issued under the SPP on Monday 6 October 2014.

Yours faithfully,



Simon Pordage