

RETAIL ENTITLEMENT OFFER BOOKLET

26 NOVEMBER 2014



IMPORTANT NOTICES

COMPANY AND ISSUER

Folkestone Limited ACN 004 715 226 ("Folkestone" or the "Company") is the issuer of this Retail Entitlement Offer Booklet ("Retail Offer Booklet").

The Retail Offer Booklet contains a non-renounceable offer of ordinary new shares in the Company ("New Shares") to raise up to \$13.2 million on the basis of an entitlement offer of 1 New Share for every 4 Existing Shares held ("Retail Entitlement Offer" or "Offer") by Eligible Retail Shareholders.

RETAIL OFFER BOOKLET

This Retail Offer Booklet is not a product disclosure statement, prospectus or other disclosure document and has not been lodged with ASIC. It may not contain all the information that a Shareholder would expect to find in order to make an informed decision as to whether or not to accept this Retail Entitlement Offer. As the Company is a listed disclosing entity which meets the requirements of Section 708AA of the Corporations Act as modified by ASIC Class Order 08/35, the Retail Entitlement Offer will be made without a prospectus or product disclosure statement. As a result, it is important for Eligible Retail Shareholders to read and understand the information in relation to the Company and the Retail Entitlement Offer made publicly available, prior to participating in the Retail Entitlement Offer. In particular, please refer to the information in this Retail Offer Booklet, the Company's annual reports and other announcements made available at www.folkestone.com.au or www.asx.com.au

NO COOLING-OFF RIGHTS

No cooling-off rights apply to a subscription for New Shares under the Retail Entitlement Offer. This means that Eligible Retail Shareholders cannot withdraw an Application once it has been accepted.

OBTAINING A COPY OF THIS RETAIL OFFER BOOKLET

A paper copy of this Retail Offer Booklet is available free of charge to any Eligible Retail Shareholder in Australia before the closing date of the Retail Entitlement Offer, by calling the Folkestone Information Line on +61 3 8601 2668 between the hours of 8.30am and 5.00pm Monday to Friday Australian Eastern Daylight Time ("AEDT") (excluding public holidays).

This Retail Offer Booklet may be accessed at www.folkestone.com.au. If you access the electronic version of this Retail Offer Booklet, you should ensure that you download and read the entire Retail Offer Booklet.

The Retail Entitlement Offer constituted by this Retail Offer Booklet in electronic form is available only to Australian and New Zealand resident investors accessing the website from Australia or New Zealand. It is not available to persons in the United States or in any other jurisdiction.

Applications for New Shares may only be made on an Entitlement and Acceptance Form accompanying this Retail Offer Booklet. By making an Application, you declare that you were given access to the Retail Offer Booklet, together with an Entitlement and Acceptance Form.

NOTE TO PROSPECTIVE INVESTORS

The information contained in this Retail Offer Booklet is not financial product advice. This Retail Offer Booklet has been prepared without reference to your investment objectives, financial situation and particular needs. It is important you read this Retail Offer Booklet carefully and in its entirety before making a decision whether to invest. In particular, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your broker, solicitor, accountant, financial or other professional adviser before deciding whether to invest. Some of the key risk factors that should be considered by Eligible Retail Shareholders are set out in the 'Key Risk Factors' Section in the Investor Presentation included

at Section 3 of this Retail Offer Booklet. There may be risk factors in addition to these that should be considered in light of your personal circumstances. You should also consider the risk factors that could affect the Company's business, financial condition and results of operations.

NO PERFORMANCE GUARANTEE

Neither the Company, nor its associates or Directors, nor any other person named in this Retail Offer Booklet guarantees the performance of the Company, the repayment of capital or any particular rate of capital or income return.

UPDATED INFORMATION

Information relating to the Offer may change from time to time. The Company may issue a supplementary Retail Offer Booklet to supplement any relevant information not contained in this Retail Offer Booklet or may update certain information on its website at www.folkestone.com.au. Any supplementary Retail Offer Booklet or information should be read together with this Retail Offer Booklet.

PICTURES OF PROPERTIES IN THIS RETAIL OFFER BOOKLET

All pictures of properties in this Retail Offer Booklet are actual pictures of properties which are either held or jointly held by the Company or its associates unless stated otherwise.

DEFINED TERMS AND FINANCIAL INFORMATION

Capitalised terms used in this Retail Offer Booklet have been defined in the Glossary at Section 5 of this Retail Offer Booklet.

Unless otherwise stated or implied, references to times in this Retail Offer Booklet are AEDT. Unless otherwise stated or implied, references to dates or years are calendar year references.

All financial and operational information contained in this Retail Offer Booklet is stated as at the date of this Retail Offer Booklet, unless otherwise specified. Currency amounts are in Australian dollars unless otherwise stated.

Any discrepancies between totals and sums and components in tables contained in this Retail Offer Booklet are due to rounding.

OFFER RESTRICTIONS

This Retail Offer Booklet has been prepared to comply with the requirements of the laws of Australia. This Retail Offer Booklet does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify New Shares or the Retail Entitlement Offer, or to otherwise permit a public offering of New Shares, in any jurisdiction outside Australia and New Zealand. The distribution of this Retail Offer Booklet outside Australia and New Zealand may be restricted by law and persons who come into possession of this Retail Offer Booklet outside Australia should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. In particular, New Shares have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, a US Person (as defined in Regulation S under the US Securities Act).

RESPONSIBILITY FOR RETAIL OFFER BOOKLET

This Retail Offer Booklet and the enclosed Entitlement and Acceptance Form have been prepared by Folkestone. No party, including the Joint Lead Managers or any other parties referred to in this Retail Offer Booklet (other than Folkestone), has authorised or caused the issue of this Retail Offer Booklet and/or Entitlement and Acceptance Form, or takes any responsibility for, or makes, any statements, representations or undertakings in the information in this Retail Offer Booklet and/or Entitlement and Acceptance Form. To the maximum extent permitted by law, each of the parties referred to in this Retail Offer Booklet (other than Folkestone) expressly disclaims any responsibility for any statements in, or omissions from, this Retail Offer Booklet and/or

Entitlement and Acceptance Form.

Neither the Joint Lead Managers nor any of their respective affiliates, related bodies corporate, directors, officers, partners, employees, representatives or agents make any recommendations as to whether you or your related parties should participate in the Retail Entitlement Offer, nor do they make any representations or warranties to you concerning this Retail Entitlement Offer, or any such information. You represent, warrant and agree that you have not relied on any statements made by either of the Joint Lead Managers or their respective affiliates, relating bodies corporate, directors, officers, partners, employees, representatives or agents in relation to the New Shares or the Retail Entitlement Offer generally.

DISCLOSURE

The Joint Lead Managers (whether in that capacity, or otherwise), together with their affiliates, are financial institutions engaged in various activities, which may include trading, financing, financial advisory, investment management, investment research, principal investment, hedging, market making, margin lending, brokerage and other financial and non-financial activities and services including for which they have received or may receive customary fees and expenses. Moelis, in conjunction with its affiliates, is acting as Joint Lead Manager, book runner and Underwriter to the Equity Raising for which it has received or expects to receive fees and expenses.

The Joint Lead Managers (whether in that capacity, or otherwise) and/or their affiliates have performed, and may perform, other financial or advisory services for the Company, and/or may have other interests in or relationships with the Company, and its related bodies corporate for which they have received or may receive customary fees and expenses.

In the ordinary course of their various business activities, the Joint Lead Managers (whether in that capacity, or otherwise) and their affiliates may purchase, sell or hold a broad array of investments and actively trade or effect transactions in equity, debt and other securities, derivatives, loans, commodities, currencies, credit default swaps and/or other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company, its related entities and/or persons and entities with relationships with the Company and/or its related entities. The Joint Lead Managers (whether in that capacity, or otherwise) and/or their affiliates, or their respective officers, employees, consultants or agents may, from time to time, have long or short positions in, buy or sell (on a principal basis or otherwise), and may act as market makers in, the securities or derivatives, or serve as a director of any entities mentioned herein. The Joint Lead Managers (whether in that capacity, or otherwise) and/or its affiliates currently hold, and may continue to hold, equity, debt and/or related derivative securities of the Company and/or its related entities.

None of the Joint Lead Managers (whether in that capacity, or otherwise) nor any of their related bodies corporate and affiliates, nor any of their respective directors, officers, partners, employees, representatives or agents make any recommendations as to whether Shareholders or their related parties should participate in the Retail Entitlement Offer. The engagement of the Joint Lead Managers by the Company is not intended to and does not create any agency, custodial, fiduciary or other legal relationship between the Joint Lead Managers and any Shareholder or other investor.

QUESTIONS

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

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CHAIRMAN AND MANAGING DIRECTOR'S LETTER



Folkestone

26 November 2014

Dear Shareholder

On behalf of Folkestone Limited ("Folkestone" or the "Company"), we are pleased to invite you to participate in a 1 for 4 fully underwritten non-renounceable entitlement offer of new ordinary shares in the Company ("New Shares") at an Offer Price of \$0.20 per New Share ("Retail Entitlement Offer").

OVERVIEW OF EQUITY RAISING

On 24 November 2014, Folkestone announced its intention to raise approximately \$42 million via a placement to Institutional Investors ("Institutional Placement"), an accelerated non-renounceable entitlement offer to Institutional Investors ("Institutional Entitlement Offer") and a non-renounceable entitlement offer to Retail Investors ("Retail Entitlement Offer") (collectively the "Equity Raising"). The Institutional Placement and Institutional Entitlement Offer together successfully raised gross proceeds of approximately \$28.8 million.

The Retail Entitlement Offer is fully underwritten by Moelis Australia Advisory Pty. Ltd. ("Moelis") and will raise further gross proceeds of approximately \$13.2 million. The Offer Price of \$0.20 under the Retail Entitlement Offer is the same Offer Price paid by Institutional Investors under the Institutional Placement and Institutional Entitlement Offer.

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.

USE OF PROCEEDS

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, which is 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 Institutional Placement); and
- providing working capital to accelerate the growth of its pipeline of on-balance sheet development activities and funds management platform. Folkestone is in exclusive due diligence on six 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 Folkestone's share would be approximately \$332 million, and will provide the basis for Folkestone 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.

DETAILS OF YOUR ENTITLEMENT

As an Eligible Retail Shareholder you are entitled to subscribe for 1 New Share for every 4 Existing Shares held at 7.00pm AEDT on Thursday 27 November 2014 ("Entitlements").

Eligible Retail Shareholders may also apply for Additional New Shares at the Offer Price in excess of their Entitlements ("Additional New Shares"), (subject to a limit of \$100,000 worth of Additional New Shares per Eligible Retail Shareholder) unless otherwise determined by the Company in its absolute discretion and subject to scale back in the case of oversubscriptions.

The Retail Entitlement Offer is non-renounceable, which means that Entitlements are non-transferrable and will not be tradable on ASX or otherwise transferable. Eligible Retail Shareholders who do not take up all or any part of their Entitlements will not receive any payment or value in respect of those Entitlements not taken up and their equity interest in the Company will therefore be diluted.

New Shares and Additional New Shares issued pursuant to the Equity Raising will rank equally with Existing Shares.

You will find enclosed within this Retail Offer Booklet the following important information:

- key dates for the Equity Raising;
- instructions on 'How to apply' detailing how to accept all or part of your Entitlement and apply for Additional New Shares up to a limit to \$100,000 worth of Additional New Shares in the Retail Entitlement Offer if you choose to do so;



- the Investor Presentation released to the market on 24 November 2014;
- ASX announcement relating to the Equity Raising;
- ASX announcement relating to the completion of the Institutional Entitlement Offer and the Institutional Placement;
- important additional information; and
- a personalised Entitlement and Acceptance Form which details your Entitlement, to be completed in accordance with the instructions provided should you wish to take up your Entitlements.

TAKING UP YOUR ENTITLEMENTS

It is important to note that the Retail Entitlement Offer closes at 5.00pm AEDT on 11 December 2014.

To participate in the Retail Entitlement Offer, you need to ensure your completed Entitlement and Acceptance Form and your Application Monies are received by the Registry before the Retail Entitlement Offer closes OR you have paid your Application Monies via BPAY by that time and date pursuant to the instructions that are set out on the Entitlement and Acceptance Form. See the 'How to apply' Section of this Retail Offer Booklet for further information about payment methods.

FURTHER INFORMATION

This Retail Offer Booklet contains further details of the Retail Entitlement Offer as well as a description of the main risks associated with an investment in New Shares in the Company. We encourage you to read the entire Retail Offer Booklet carefully and consider the key risks which are set out in Appendix 2 of the Investor Presentation included in Section 3 of this Retail Offer Booklet before deciding whether to participate in the Retail Entitlement Offer.

You should consult your stockbroker, accountant or other independent professional adviser when evaluating whether or not to participate in the Retail Entitlement Offer.

For further information regarding the Retail Entitlement Offer, please call the Folkestone Information Line on +61 3 8601 2668 (from outside Australia) between the hours of 8.30am and 5.00pm Monday to Friday AEDT (excluding public holidays) or visit www.folkestone.com.au.

OUTLOOK

Folkestone is well positioned for its next stage of growth and this \$42 million of new capital will facilitate Folkestone increasing its strategic holding in the Folkestone Education Trust, growing its funds management platform and investing in select development opportunities on its balance sheet or co-investing in its development funds.

On behalf of the Directors of the Folkestone, we invite you to consider this investment and participation in the exciting next stage of the Company's transformation.

Yours sincerely

Garry Sladden
Chairman and Non-Executive Director
Folkestone Limited

Greg Paramor
Managing Director
Folkestone Limited

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1. KEY DATES



Millers Junction Home, VIC – an asset of the Folkestone Real Estate Income Fund at Altona North

Event	Date
ASX announcement to launch the Equity Raising	Monday, 24 November 2014
Record Date for the Entitlement Offer (7.00pm AEDT)	Thursday, 27 November 2014
Retail Entitlement Offer opens	Tuesday, 2 December 2014
Dispatch of Retail Offer Booklet and Entitlement and Acceptance Forms	Tuesday, 2 December 2014
Settlement of Institutional Placement and Institutional Entitlement Offer	Wednesday, 3 December 2014
Allotment and quotation of New Shares issued under the Institutional Placement and Institutional Entitlement Offer	Thursday, 4 December 2014
Retail Entitlement Offer closes (5pm AEDT)	Thursday, 11 December 2014
Announcement of results of Retail Entitlement Offer (including any Retail Entitlement Offer Shortfall)	Monday, 15 December 2014
Settlement of New Shares issued under the Retail Entitlement Offer	Wednesday, 17 December 2014
Allotment of New Shares issued under the Retail Entitlement Offer	Thursday, 18 December 2014
Quotation of New Shares issued under the Retail Entitlement Offer	Friday, 19 December 2014
Dispatch of holding statements of New Shares issued under the Retail Entitlement Offer	Monday, 22 December 2014

The Company reserves the right to vary the dates of the Retail Entitlement Offer without prior notice, including extending the Retail Entitlement Offer or accepting late Applications, either generally or in particular cases, or to withdraw the Retail Entitlement Offer without prior notice.

Applicants are encouraged to submit their personalised Entitlement and Acceptance Forms as soon as possible. The commencement of quotation of New Shares is subject to confirmation from the ASX. Eligible Retail Shareholders are to make payment of their Application Monies so that payment is received by no later than 5.00pm (AEDT) on 11 December 2014.

The Retail Entitlement Offer is non-renounceable, which means that Entitlements are non-transferrable and will not be tradable on the ASX or otherwise transferable. Shareholders who do not take up all or any part of their Entitlements will not receive any payment or value in respect of those Entitlements not taken up and their equity interest in the Company will be diluted.

New Shares (and any Additional New Shares) issued under the Retail Entitlement Offer will rank equally with Existing Shares.

2. HOW TO APPLY

- 2.1 Retail Entitlement Offer
- 2.2 Brokerage, commission and stamp duty
- 2.3 No withdrawals
- 2.4 Confirmation of your Application and managing your holding
- 2.5 Enquires



Dandenong Court House, Vic – an asset of the Folkestone CIB Fund

This Retail Offer Booklet relates to the Retail Entitlement Offer component of the Equity Raising. The Retail Entitlement Offer is an offer to raise \$13.2 million worth of New Shares in the Company to be issued at a price of \$0.20 per New Share. The offer of 1 New Share for every 4 Existing Shares has been made to Eligible Retail Shareholders who have a registered address in Australia or New Zealand on the Record Date.

No brokerage, commission or stamp duty is payable by Applicants on acquisition of New Shares under the Retail Entitlement Offer.

2.1 RETAIL ENTITLEMENT OFFER

2.1.1 Who may apply under the Retail Entitlement Offer

Eligible Retail Shareholders may apply for New Shares under the Retail Entitlement Offer. Eligible Retail Shareholders are those Existing Shareholders who:

- are registered as Existing Shareholders as at the Record Date, being 7.00pm (AEDT) on Thursday 27 November 2014;
- have a registered address in Australia or New Zealand;
- are not in the United States and are not acting for the account or benefit of a person in the United States;
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without a prospectus, disclosure document, product disclosure statement or any lodgement, filing, registration or qualification; and
- were not invited to participate (other than as nominee, in respect of other underlying holdings) in the Institutional Entitlement Offer.

The Company reserves the right to determine whether a Shareholder is an Eligible Retail Shareholder and is therefore able to participate in the

Retail Entitlement Offer, or an Ineligible Shareholder and is therefore unable to participate in the Retail Entitlement Offer.

Eligible Retail Shareholders are being offered the opportunity to subscribe for 1 New Share for every 4 Existing Shares held at 7.00pm (AEDT) on the Record Date at the Offer Price of \$0.20 per New Share (rounded up to the nearest whole Share).

Eligible Retail Shareholders may also apply for Additional New Shares in excess of their Entitlements (up to a limit of \$100,000 worth of Additional New Shares per Eligible Retail Shareholder), unless otherwise determined by the Company in its absolute discretion. Please also note that if you are an Eligible Retail Shareholder who is a "related party" of the Company (as that term is defined in the ASX Listing Rules), you may apply to take up your Entitlement in part or in full, but may not apply for Additional New Shares.

Additional New Shares will only be allocated to Eligible Retail Shareholders if available and then only if and to the extent that the Company so determines, in its absolute discretion, having regards to the circumstances as at the time of the close of the Retail Entitlement Offer. The Company may apply any scale-back to Applications for Additional New Shares in its absolute discretion.

If Eligible Retail Shareholders do not take up all or part of their Entitlements under the Retail Entitlement Offer, any associated right to participate will lapse.

If you are an Eligible Retail Shareholder, your Entitlements are set out on the accompanying personalised Entitlement and Acceptance Form.

If you have more than one holding of Existing Shares, you will be sent more than one personalised Entitlement and Acceptance Form. Each separate holding will have separate Entitlements which you will be unable to combine when making an Application as part of the Retail Entitlement Offer.

Shareholders who are not Eligible Retail Shareholders, and who were not invited to participate in the Institutional Entitlement Offer, will be notified by letter that the Retail Entitlement Offer will not be extended to them.

2.1.2 Nominees

The Retail Entitlement Offer is being made to all Existing Shareholders who meet the criteria of an Eligible Retail Shareholder as described in Section 2.1.1 above ("Who may apply under the Retail Entitlement Offer"). The Company is not required to determine whether or not any registered Shareholder is acting as a nominee or the identity or residence of any beneficial owners of Existing Shares. Where any Shareholder is acting as a nominee for a foreign person, that Shareholder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Retail Entitlement Offer is compatible with applicable foreign laws and regulations. Return of a duly completed Entitlement and Acceptance Form or payment by BPay will constitute a representation that there has been no breach of such laws and regulations. Shareholders who are nominees are therefore advised to seek independent advice as to how they should proceed. Where the Retail Offer Booklet has been dispatched to a Shareholder domiciled outside Australia or New Zealand and where the country's securities code or legislation prohibits or restricts in any way the making of the offers contemplated by this Retail Offer Booklet, then this Retail Offer Booklet is provided for information purposes only.

Any person in the United States with a holding through a nominee may not participate in the Retail Entitlement Offer and the nominee must not take up any Entitlement or send any materials into the United States.

The Company is not able to advise on any foreign laws.

2. HOW TO APPLY CONT.

2.1.3 Consider the Retail Entitlement Offer in light of your particular investment objectives and circumstances

Please consult with your stockbroker, accountant, financial adviser, taxation adviser, solicitor or other independent professional adviser if you have any queries or are uncertain about any aspects of the Retail Entitlement Offer. You should also refer to the 'Key Risks' Section in Appendix 2 of the Investor Presentation included at Section 3 in this Retail Offer Booklet.

2.1.4 Choices available to Eligible Retail Shareholders

If you are an Eligible Retail Shareholder you may do any one of the following:

- take up all or part of your Entitlements;
- take up all of your Entitlements and apply for Additional New Shares (refer to Section 4.4); or
- do nothing, in which case all of your Entitlements will lapse and you will not receive any value in respect of those Entitlements not taken up.

You should note that as a result of the Institutional Placement, you will have your percentage holding in the Company reduced even if you participate in the Retail Entitlement Offer in respect of all of your Entitlement. Applying for and being issued Additional New Shares may reduce the extent of dilution of your percentage holding in the Company as a result of the Institutional Placement.

2.1.5 Complete and return the accompanying Entitlement and Acceptance Form with your Application Monies or make a payment by BPAY®

If you decide to take up your Entitlements in part or in full, please complete and return the personalised Entitlement and Acceptance Form with the requisite Application Monies or pay your Application Monies via BPAY by following the instructions set out on the personalised Entitlement and Acceptance Form.

The Company will treat you as applying for as many New Shares as your payment will pay for in full. Amounts received by the Company in excess of your Entitlements ("**Excess Amount**") will be treated as an Application to apply for as many Additional New Shares as your Excess Amount will pay for in full (subject to a limit of \$100,000 worth of Additional New Shares). Any allocation of Additional New Shares is subject to the available Retail Entitlement Offer Shortfall, and subject to any scale-back the Company may determine to implement, in its absolute discretion, in respect of any Additional New Shares.

If you are paying by BPAY, please make sure to use the specific Biller Code and unique Customer Reference Number ("**CRN**") on the front of your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, please only use the CRN specific to the Entitlement on that Entitlement and Acceptance Form.

If you take no action, you will not be allocated New Shares and your Entitlements will lapse. Your Entitlement to participate in the Retail Entitlement Offer is non-renounceable and will not be tradeable or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up.

If you take up and pay for all or part of your Entitlements before the close of the Retail Entitlement Offer at 5.00pm (AEDT) on 11 December 2014, you will be allotted your New Shares on 18 December 2014. If you apply for Additional New Shares, subject to the limit of \$100,000 worth of Additional New Shares, subject to the available Retail Entitlement Offer Shortfall, and subject to the Company's absolute discretion to scale-back your Application for Additional New Shares (in whole or part), you will be allotted your Additional New Shares on 18 December 2014. The Company's decision on the number of New Shares

(and any Additional New Shares) to be allocated to you will be final.

The Company also reserves the right (in its absolute discretion) to reduce the number of New Shares allocated to Eligible Retail Shareholders, or persons claiming to be Eligible Retail Shareholders, if their claims prove to be overstated or otherwise incorrect or if they or their nominees fail to provide information to substantiate their claims.

2.1.6 Payment via BPAY®

For payment by BPAY, please follow the instructions on the personalised Entitlement and Acceptance Form (which includes the Biller Code and your unique CRN). You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution that supports BPAY transactions.

Please note that if you choose to pay by BPAY

- while you are not required to submit the personalised Entitlement and Acceptance Form, you are taken to make the declarations on that Entitlement and Acceptance Form and in Section 2.1.10 of this Retail Offer Booklet; and
- you are deemed to have taken up your Entitlements in respect of such whole number of New Shares, and if applicable Additional New Shares (up to a limit of \$100,000 worth of Additional New Shares), as is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY payment is received by the Registry by no later than 5.00pm (AEDT) on 11 December 2014. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

Any Application Monies received for more than your final allocation of New Shares (but only where the amount is \$2.00 or greater) will be refunded as soon as possible after the Retail

Entitlement Offer closes. No interest will be paid to Applicants on any Application Monies received or refunded.

Note: If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when making payment via BPAY only use the CRN specific to the relevant holding set out in the applicable Entitlement and Acceptance Form. If you do not use the correct CRN specific to that holding, as set out in the applicable Entitlement and Acceptance Form, your Application Monies above that for New Shares will be assumed to refer to an Application for Additional New Shares (relating to that specific CRN, subject to the limit of \$100,000 worth of Additional New Shares, subject to the available Retail Entitlement Offer Shortfall, and subject to the Company's absolute discretion to scale-back your Application for Additional New Shares (in whole or part)).

2.1.7 Payment by cheque, bank draft or money order

For payment by cheque, bank draft or money order, you should complete your personalised Entitlement and Acceptance Form (mailed to you with this Retail Offer Booklet) in accordance with the instructions on the form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to "Folkestone Ltd" and crossed "Not Negotiable".

Your cheque, bank draft or money order must be:

- for an amount equal to the full Application Monies (being \$0.20 multiplied by the number of New Shares and any Additional New Shares that you are applying for up to a limit of \$100,000 worth of Additional New Shares);
- in Australian currency drawn on an Australian branch of a financial institution; and

- made payable to "Folkestone Ltd" and crossed "Not Negotiable".

You should ensure that sufficient funds are held in any relevant account(s) to cover the full amount of the Application Monies. If the amount of your payment for Application Monies is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your personalised Entitlement and Acceptance Form). Alternatively, your Application will not be accepted.

Any Application Monies received for more than your final allocation of New Shares (but only where the amount is \$2.00 or greater) will be refunded as soon as possible after the Retail Entitlement Offer closes. No interest will be paid to Applicants on any Application Monies received or refunded.

Cash payments will not be accepted and receipts for payment will not be issued.

To participate in the Retail Entitlement Offer, your payment must be received no later than the close of the Retail Entitlement Offer, at 5.00pm (AEDT) on 11 December 2014.

Shareholders who make payment via cheque, bank draft or money order should return their completed personalised Entitlement and Acceptance Form together with Application Monies:

- BY MAIL using the reply paid envelope provided with this Booklet (no postage is required if posting from within Australia); or
- BY MAIL to the following address:
Boardroom (Victoria) Pty Limited
Folkestone Limited
GPO Box 3993
Sydney, NSW 2001

For the convenience of Eligible Retail Shareholders in Australia, a reply paid envelope addressed to the Registry has been enclosed with this Retail Offer Booklet. If mailed in any country outside of Australia, correct postage must be affixed.

Applications will only be accepted by the methods above. Applications will not be accepted in person.

As described above, where you have more than one holding of Existing Shares, you will be sent more than one personalised Entitlement and Acceptance Form, and must complete the relevant Entitlement and Acceptance Form for each separate Entitlement you hold.

2.1.8 How to obtain a copy of this Retail Offer Booklet and an Entitlement and Acceptance Form

You can obtain a copy by contacting the Folkestone Information Line on +61 3 8601 2668 at any time from 8.30am to 5.00pm (AEDT) Monday to Friday (excluding public holidays) during the Offer Period.

2.1.9 Foreign persons

The Retail Offer Booklet and the accompanying Entitlement and Acceptance Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. By submitting an Entitlement and Acceptance Form and / or paying or transferring Application Monies you represent and warrant that there has been no breach of such laws.

The distribution of this Retail Offer Booklet outside of Australia or New Zealand may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. The Company disclaims all liabilities to such a person.

2. HOW TO APPLY CONT.

2.1.10 Warranties on acceptance of the Retail Entitlement Offer

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY you will be deemed to have acknowledged, agreed, represented and warranted that you, and each person on whose behalf you are acting:

- acknowledge that you have fully read and understood both this Retail Offer Booklet and your Entitlement and Acceptance Form in their entirety and you acknowledge the matters and make the warranties and representations and agreements contained in this Retail Offer Booklet and the Entitlement and Acceptance Form;
- agree to be bound by the terms of the Retail Entitlement Offer, the provisions of this Retail Offer Booklet and the Company's constitution;
- authorise the Company to register you as the holder(s) of New Shares (and any Additional New Shares) allotted to you;
- declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- declare you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- acknowledge that once the Company receives your Entitlement and Acceptance Form or any payment of Application Monies via BPAY, you may not withdraw your Application or funds provided except as allowed by law;
- agree to apply for and be issued up to the number of New Shares specified in the Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY, including Additional New Shares (up to a limit of \$100,000 worth of Additional New Shares) at the Offer Price per New Share;
- authorise the Company, the Joint Lead Managers, the Registry and their respective officers or agents to do anything on your behalf necessary for New Shares (and any Additional New Shares) to be issued to you;
- declare that you were the registered holder(s) at the Record Date of the Shares indicated on the Entitlement and Acceptance Form as being held by you on the Record Date;
- acknowledge that the information contained in this Retail Offer Booklet and your Entitlement and Acceptance Form is not investment advice or financial product advice nor have they been prepared taking into account your investment objectives, financial circumstances or particular needs. You acknowledge that this Retail Offer Booklet and your Entitlement and Acceptance Form is not a recommendation that New Shares (and any Additional New Shares) are suitable for you given your investment objectives, financial situation or particular needs;
- acknowledge that this Retail Offer Booklet is not a prospectus, product disclosure statement or disclosure document and does not contain all of the information that you may require in order to assess an investment in the Company and is given in the context of the Company's past and ongoing continuous disclosure announcements to ASX;
- acknowledge the statement of risks in the 'Key Risks' Section in Appendix 2 of the Investor Presentation included at Section 3 of this Retail Offer Booklet and that investments in the Company are subject to risk;
- acknowledge that none of the Company, the Joint Lead Managers, or their respective related bodies corporate, affiliates or respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantee the performance of the Company, nor do they guarantee the repayment of capital from the Company;
- agree to provide (and, if applicable, direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and of your holding of Existing Shares on the Record Date;
- authorise the Company to correct any errors in your Entitlement and Acceptance Form or other form provided by you;
- represent and warrant that the law of any place does not prohibit you from being given this Retail Offer Booklet and the Entitlement and Acceptance Form, nor does it prohibit you from making an Application for New Shares (and any Additional New Shares) and are eligible under all applicable laws to receive an offer under the Retail Entitlement Offer without a prospectus, disclosure document, product disclosure statement or any lodgement, filing, registration or qualification; and
- represent and warrant that your acceptance of the Retail Entitlement Offer does not breach any laws in a jurisdiction outside Australia or New Zealand.

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY, you will also be deemed to have acknowledged, agreed, represented and warranted on your own behalf and on behalf of each person on whose account you are acting that you are an Eligible Retail Shareholder and:

- you are not in the United States and you are not acting on behalf of a person in the United States (to the extent you are holding Existing Shares on behalf of such person in the United States) and are not otherwise a person to whom it would be illegal to make an offer of or issue of Entitlements, New Shares or Additional New Shares under the Retail Entitlement Offer and under any applicable laws and regulations;
- you understand and acknowledge that none of the Entitlements, the

New Shares nor the Additional New Shares have been, nor will be, registered under the Securities Act or the securities laws of any state or other jurisdiction in the United States, or in any other jurisdictions outside of Australia and New Zealand. 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 except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and any other applicable U.S. state securities laws;

- you and each person on whose account you are acting have not and will not send this Retail Offer Booklet, the Entitlement and Acceptance Form or any other materials relating to the Retail Entitlement Offer to any person in the United States;
- if in the future you decide to sell or otherwise transfer the New Shares or Additional New Shares, you will only do so in regular way transactions on the ASX where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States; and
- if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is not in the United States, and you have not sent this Retail Offer Booklet, the Entitlement and Acceptance Form or any information relating to the Retail Entitlement Offer to any such person in the United States.

2.2 BROKERAGE, COMMISSION AND STAMP DUTY

No brokerage, commission or stamp duty is payable by Applicants upon acquisition of New Shares or Additional New Shares under the Retail Entitlement Offer.

2.3 NO WITHDRAWALS

You cannot withdraw your Application once it has been accepted. Cooling-off rights do not apply to an investment in New Shares or Additional New Shares. The Company reserves the right to withdraw the Retail Entitlement Offer at any time before the issue of New Shares or Additional New Shares to Eligible Retail Shareholders, in which case the Company will refund any Application Monies already received in accordance with the Corporations Act and will do so without interest being payable to Applicants.

2.4 CONFIRMATION OF YOUR APPLICATION AND MANAGING YOUR HOLDING

You may access information on your holding, including your Record Date balance and the issue of New Shares or Additional New Shares from this Retail Entitlement Offer, and manage the standing instructions the Registry records on your holding on the Investor Centre website www.investorserve.com.au. To access the Investor Centre you will need your Security Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/ CHESS statements and you will need to pass the security challenge on the site.

2.5 ENQUIRES

If you require assistance to complete the Entitlement and Acceptance Form, you should contact the Folkestone Information Line on +61 3 8601 2668 at any time from 8.30am to 5.00pm (AEDT) Monday to Friday (excluding public holidays) during the Offer Period.

If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant, taxation adviser or other professional adviser.

IF YOU REQUIRE ASSISTANCE TO COMPLETE THE ENTITLEMENT AND ACCEPTANCE FORM, YOU SHOULD CONTACT THE FOLKESTONE INFORMATION LINE ON +61 3 8601 2668 AT ANY TIME FROM 8.30AM TO 5.00PM (AEDT) MONDAY TO FRIDAY (EXCLUDING PUBLIC HOLIDAYS) DURING THE OFFER PERIOD.

3. ASX RELEASES AND INVESTOR PRESENTATION



The Thales Building, NSW – an asset of the Folkestone Real Estate Income Fund at Sydney Olympic Park

SUCCESSFUL COMPLETION OF THE INSTITUTIONAL COMPONENT OF FOLKESTONE'S EQUITY RAISING

Folkestone Limited (ASX: FLK) today announced the successful completion of the accelerated institutional component of its pro-rata 1.0 for 4.0 entitlement offer (Institutional Entitlement Offer) and the institutional placement ("Placement") which raised \$28.8 million. The Institutional Entitlement Offer and the Placement form part of the Company's \$42 million Equity Raising announced on 24 November 2014.

The net proceeds of the Equity Raising will be applied to:

- increasing FLK's strategic interest in the Folkestone Education Trust (FET) (ASX code: FET) via the acquisition of:
 - a \$21.7 million unitholding from a third party holder of FET units which is conditional on the settlement of the Placement; and
 - a further \$16.8 million unitholding in FET from Folkestone Social Infrastructure Trust (FST) (ASX:FST)¹.

The acquisitions will be partly funded by drawdown on a new debt facility (\$12.8 million) and proceeds from the Equity Raising. If the merger of FET and FST, announced on 13 November 2014, proceeds then FLK's holding in FET will increase from 1.3 per cent to 9.5 per cent²;

- provide working capital to accelerate the growth of FLK's funds management platform and its pipeline of on-balance sheet development activities. 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 to either launch new development funds or provide an attractive opportunity for FLK to invest capital directly in the project or co-invest in the new funds.

The Placement received very strong support from both existing and new institutional investors and was significantly oversubscribed. The Institutional Entitlement Offer was strongly supported by existing eligible institutional shareholders with approximately 92 per cent take up. Entitlements not taken up by eligible institutional shareholders were sold and cleared in the institutional shortfall bookbuild at \$0.20 per entitlement.

Mr Greg Paramor, Folkestone's Managing Director, said "We are delighted with the support we have received for the Placement and Institutional Entitlement Offer. Folkestone is well positioned for its next stage of growth and this \$42 million of new capital will allow the business to continue to grow our funds management platform, and invest in select development opportunities on its balance sheet or co-invest in its development funds."

Moelis Australia Advisory Pty Ltd, who is joint lead manager, has underwritten the Equity Raising.

Commencement of the Retail Entitlement Offer

The retail component of the Equity Raising ("Retail Entitlement Offer") will open on Tuesday 2 December 2014 and close at 5.00pm (AEDT) on Thursday 11 December 2014.

¹ Subject to the approval of FST Unitholders at the FST Unitholder meeting scheduled for 19 December 2014

² Adjusted for the FET units on issue post the merger with FST

3. ASX RELEASES AND INVESTOR PRESENTATION CONT.



Eligible retail shareholders will be able to subscribe for 1.0 new share for every 4.0 FLK shares held at the record date of 7.00pm (AEDT) on Thursday 27 November 2014, at the same price as the Institutional Entitlement Offer (\$0.20 cents per new share). The Retail Entitlement Offer will raise approximately \$13.2 million.

Eligible retail shareholders can choose to take up their entitlement in whole, in part or not at all. If eligible retail shareholders decide not to take up their entitlement, their entitlement will lapse and they will receive no value for their entitlement.

Eligible retail shareholders may also apply for additional new shares in excess of their entitlement (up to a cap of \$100,000 worth of additional new shares per shareholder and subject to scale back and otherwise as described in the Retail Entitlement Offer Booklet). A copy of the Retail Entitlement Offer Booklet and a personalised Entitlement and Acceptance Form for the Retail Entitlement Offer will be mailed to eligible retail shareholders on Tuesday 2 December 2014.

The Retail Entitlement Offer Booklet is an important document and eligible retail shareholders should read it carefully (including the risk factors outlined in the Investor Presentation included in the Retail Entitlement Offer Booklet) in assessing the investment opportunity. Any eligible retail shareholders who wish to acquire new FLK shares under the Retail Entitlement Offer will need to complete, or otherwise apply in accordance with the personalised Entitlement and Acceptance Form which will accompany the Retail Entitlement Offer Booklet.

Timetable³

Event	Date
Trading in FLK shares recommences	Wednesday, 26 November 2014
Record date for the Retail Entitlement Offer (7:00pm AEDT)	Thursday, 27 November 2014
Retail Entitlement Offer opens	Tuesday, 2 December 2014
Dispatch of Retail Entitlement Offer Booklet and entitlement and acceptance forms	Tuesday, 2 December 2014
Settlement of Placement and Institutional Entitlement Offer	Wednesday, 3 December 2014
Allotment and quotation of New Shares issued under the Placement and Institutional Entitlement Offer	Thursday, 4 December 2014
Retail Entitlement Offer closes (5pm AEDT)	Thursday, 11 December 2014
Settlement of New Shares issued under the Retail Entitlement Offer	Wednesday, 17 December 2014
Allotment of New Shares issued under the Retail Entitlement Offer	Thursday, 18 December 2014
Quotation of New Shares issued under the Retail Entitlement Offer	Friday, 19 December 2014
Dispatch of holding statements	Monday, 22 December 2014

3. Dates are subject to change

For further information:

GREG PARAMOR
Managing Director
Tel: 02 8667 2800

GARRY SLADDEN
Chairman
Tel: 02 8667 2800

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ASX ANNOUNCEMENT
24 NOVEMBER 2014

FOLKESTONE ANNOUNCES \$42 MILLION EQUITY RAISING TO FUND NEW OPPORTUNITIES

Folkestone Limited (ASX: FLK) today announces a \$42 million equity raising to increase its holding in the ASX listed Folkestone Education Trust (FET) (ASX: FET) and take advantage of a number of new development opportunities for its balance sheet and funds management platform.

Delivering on its Commitments since the 2013 Equity Raising

FLK has achieved a number of milestones since successfully completing a \$25.0 million equity raising in December 2013, including delivering a 36 per cent total shareholder return to participants in the equity raising¹.

Since the 2013 equity raising, FLK has significantly expanded its funds management division with the launch of four new unlisted funds including the Folkestone West Ryde Development Fund which is forecast to significantly outperform the Information Memorandum forecasts. Additionally, FLK acquired Maxim Asset Management in April 2014, a boutique real estate funds management business that specialises in investing in listed real estate securities.

FLK has simplified its social infrastructure funds management platform with the acquisition by FET of the unlisted Folkestone Childcare Fund in December 2013 and the announcement of a recommended scheme merger of Folkestone Social Infrastructure Trust (FST) (ASX:FST) and FET on 13 November 2014. This merger is subject to the approval of FST Unitholders at a meeting scheduled for 19 December 2014. The merger of FET and FST will create the largest ASX listed A-REIT focusing on early learning properties.

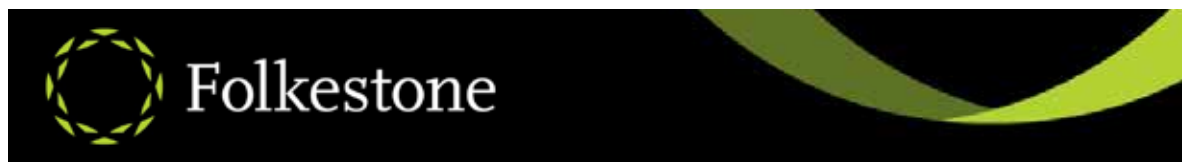
As at November 2014 FLK has approximately \$850 million in funds under management across listed and unlisted real estate funds and an A-REIT securities fund, a 35 per cent increase since the announcement of the capital raising in November 2013.

FLK continues to successfully execute on its strategy for its on-balance investments. In particular, FLK successfully:

- completed the development of Stage 1 of Altona North, a 21,639 square metre large format retail centre in September 2014 which was pre-sold to the Folkestone Real Estate Income Fund at Altona North;
- entered into a 50/50 joint venture with Wilmac Properties to develop Stage 2 of its Millers Junction Project at Altona North into approximately 60 strata style office/warehouse mews with an anticipated end value of approximately \$30.0 million;
- continued to develop out the Officer residential land subdivision;
- acquired, in a 50/50 joint venture with ID_Land, a call option over 8 hectares of land in Officer for a 140 lot residential land subdivision; and

¹ Based on closing price of \$0.225 cents on 21 November 2014, the business day prior to this announcement and the issue price of \$0.165 cents in the \$25 million equity raising conducted in 2013

3. ASX RELEASES AND INVESTOR PRESENTATION CONT.



- underwrote and co-invested 20 per cent (\$3.65 million) in the Folkestone Truganina Development Fund, which has acquired in an 80/20 joint venture with ID_Land, a 690 lot land subdivision in Truganina in Melbourne. The Folkestone Truganina Development Fund was launched on 19 November 2014.

Mr Greg Paramor, Folkestone's Managing Director said "During the last 12 months, we have made significant progress in expanding our funds management platform and our direct investment activities. Folkestone is well positioned for its next stage of growth and this \$42 million of new capital will facilitate Folkestone increasing its strategic holding in the Folkestone Education Trust, growing its funds management platform and investing in select development opportunities on its balance sheet or co-investing in its development funds."

Use of Equity Raising Proceeds

Funds from the Equity Raising will initially be applied to:

a) an investment in FET

On 13 November 2014, in conjunction with the merger announcement between FET and FST, FLK also announced that it entered into an agreement with FST to acquire 9.0 million units in FET for \$16.8 million, subject to the approval of FST Unitholders at a FST Unitholder meeting².

On 23 November 2014, FLK entered into an agreement to acquire an additional 11.3 million units in FET for \$21.7 million from a third party. This acquisition is conditional on the settlement of the placement component of the Equity Raising. FLK has secured a new \$12.8 million debt facility with the Bank of Melbourne to partly fund the investment in FET.

As a result of these acquisitions, FLK's holding in FET will increase from 1.3 per cent to 9.5 per cent³.

Mr Paramor said "Folkestone's increased investment in FET further strengthens our alignment of interest with Unitholders and provides Folkestone with direct exposure to the rapidly growing early learning sector."

b) 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.

Mr Paramor said "these development opportunities provide a fantastic platform for Folkestone to expand it's suite of development funds and invest part of our balance sheet capital either directly into these projects or co-invest in our development funds. Some of these projects may also provide completed product for our unlisted real estate income series".

² The FST Unitholder meeting is scheduled for 19 December 2014

³ Adjusted for the FET units on issue post the merger with FST



Folkestone

Details of the Equity Raising

FLK is undertaking a \$42 million equity raising at an offer price of \$0.20 per new FLK share ("Equity Raising"). The offer price represents:

- a 10.0 per cent discount to the 5-day volume weighted average price (VWAP)⁴; and
- a 9.8 per cent discount to the 30-day VWAP.³

The Equity Raising will consist of:

- a placement to existing and new institutional investors to raise approximately \$15.8 million (Placement); and
- a 1 for 4.0 non-renounceable entitlement offer to existing eligible shareholders to raise approximately \$26.2 million (Entitlement Offer).

The Entitlement Offer will comprise an Institutional Entitlement Offer and a Retail Entitlement Offer.

The outcome of the Placement and the Institutional Entitlement Offer is expected to be announced to the market prior to the commencement of normal trading on 26 November 2014. Pending this announcement FLK's shares have been placed in a trading halt. Trading in FLK shares is expected to resume on 26 November 2014.

Greg Paramor (Managing Director) and Mark Baillie (Non-Executive Director) have committed to subscribe for their full entitlement in addition to sub-underwriting a component of the Entitlement Offer.

BG Capital Limited and Moelis Australia Advisory Pty Ltd ("Moelis") are acting as Joint Lead Managers for the Equity Raising.

The Placement and Institutional Entitlement Offer are expected to settle on Wednesday 3 December 2014. The Retail Entitlement Offer is expected to be open from Tuesday 2 December 2014 to Thursday 11 December 2014.

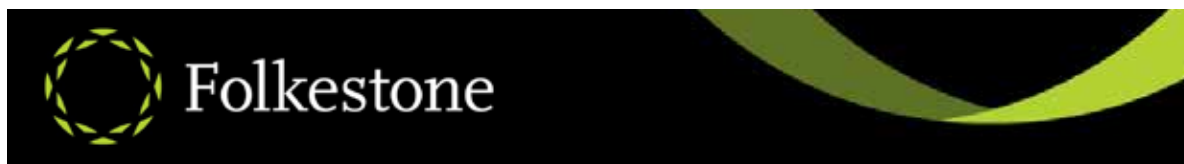
FLK retail shareholders with a registered address in Australia or New Zealand as at 7:00pm (AEDT) on Thursday 27 November 2014 (Record Date) (Eligible Shareholders) will be entitled to participate in the Retail Entitlement Offer at the same offer price as the Institutional Entitlement Offer and the Placement and on the terms, and subject to the conditions, as outlined in the Retail Entitlement Offer Booklet that will be sent to Eligible Shareholders. Eligible Shareholders may also apply for new shares in excess of their entitlement up to a limit of \$100,000 worth of new shares (subject to scale back as described in the Retail Entitlement Offer Booklet). The Retail Entitlement Offer Booklet should be considered in deciding whether to apply for new shares.

The Entitlement Offer is non-renounceable and rights will not be tradeable on the ASX or otherwise transferable. Eligible Shareholders who do not take up their entitlement under the Retail Entitlement Offer in full or in part, will not receive any value in respect of those entitlements that they do not take up.

New shares issued under the Equity Raising will rank equally with all shares on issue.

⁴ Based on the closing price of \$0.225 on 21 November 2014

3. ASX RELEASES AND INVESTOR PRESENTATION CONT.



Timetable⁵

Event	Date
Placement and Institutional Entitlement Offer Opens	Monday, 24 November 2014
Placement and Institutional Entitlement Offer Closes	Tuesday, 25 November 2014
Trading in FLK shares recommences	Wednesday, 26 November 2014
Record date for the Retail Entitlement Offer (7:00pm AEDT)	Thursday, 27 November 2014
Retail Entitlement Offer opens	Tuesday, 2 December 2014
Dispatch of Retail Entitlement Offer Booklet and entitlement and acceptance forms	Tuesday, 2 December 2014
Settlement of Placement and Institutional Entitlement Offer	Wednesday, 3 December 2014
Allotment and quotation of New Shares issued under the Placement and Institutional Entitlement Offer	Thursday, 4 December 2014
Retail Entitlement Offer closes	Thursday, 11 December 2014
Settlement of Retail Entitlement Offer	Wednesday, 17 December 2014
Allotment under the Retail Entitlement Offer	Thursday, 18 December 2014
Quotation of New Shares issued under the Retail Entitlement Offer	Friday, 19 December 2014
Dispatch of holding statements	Monday, 22 December 2014

⁵ The above dates may change

Additional Information

Additional information regarding the Equity Raising is contained in the investor presentation released to the ASX today.

For further information:

GREG PARAMOR

Managing Director
Tel: 02 8667 2800

GARRY SLADDEN

Chairman
Tel: 02 8667 2800

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

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FOLKESTONE

Equity Raising Presentation – November 2014

A Specialist Funds Manager And Developer
Providing Real Estate Wealth Solutions



EQUITY RAISING OVERVIEW

This presentation has been prepared by Folkestone Limited ('FLK' or 'Company') ABN 21 004715 226. All information in this presentation is current as at 24 November 2014 unless otherwise specified. It contains selected information and does not purport to be all-inclusive or to contain all of the information that may be relevant to any particular transaction. It should be read in conjunction with the Company's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au. The recipient acknowledges that circumstances may change and that this presentation may become out-dated as a result. This presentation and the information in it are subject to change without notice and FLK is not obliged to update this presentation.

This presentation is provided for general information purposes only, without taking into account the recipient's investment objectives, financial situation or needs. It is not a prospectus, pathfinder document or any other disclosure document for the purposes of the Corporations Act 2001 (Cth) and has not been, and is not required to be, lodged with the Australian Securities & Investments Commission. It should not be relied upon by the recipient in considering the merits of the Company or the acquisition of shares in the Company and it is not to be relied upon in substitution of the recipient's own exercise of independent judgment with regard to the operations, financial condition and prospects of the Company. Nothing in this presentation constitutes investment, legal, tax, accounting or other advice. FLK is not licensed to provide financial product advice (including personal financial product advice), and the information contained in this presentation does not constitute financial product advice. The recipient should consider its own financial situation, objectives and needs, and conduct its own independent investigation and assessment of the contents of this presentation, including obtaining investment, legal, tax, accounting and such other advice as it considers necessary or appropriate. It is not an offer to buy or sell, or a solicitation to invest in or refrain from investing in, shares in the Company or any other investment product. Investors who are eligible to participate in the entitlement offer referred to in this presentation should refer to the Retail Entitlement Offer Booklet which will be dispatched on 2 December 2014.

FLK and its related bodies corporate and other affiliates and their respective directors, employees, consultants and make no representation or warranty as to the accuracy, completeness, timeliness or reliability of the contents of this presentation. To the maximum extent permitted by law, no member of FLK accepts any liability (including, without limitation, any liability arising from fault or negligence on the part of any of them) for any loss whatsoever arising from the use of this presentation or its contents or otherwise arising in connection with it.

This presentation may contain forward-looking statements, forecasts, estimates and projections ('Forward Statements'). Forward Statements include those containing such words as 'anticipate', 'estimates', 'forecasts', 'target', 'will', 'should', 'could', 'may', 'expects', 'plans' or similar expressions. Indications of and guidance or outlook on future revenues, distributions or financial position and performance or return or growth in underlying investments included in this presentation are also Forward Statements. No independent third party has reviewed the reasonableness of any such statements or assumptions. No member of FLK represents or warrants that such Forward Statements will be achieved or will prove to be correct or gives any warranty as to the accuracy, completeness, likelihood of achievement or reasonableness of any Forward Statement, forecasts, projections, prospects, returns, or statements in relation to future matters contained in the information provided in this document. Except as required by law or regulation.

FLK assumes no obligation to update Forward Statements. Such guidance, forecasts, projections, prospects, returns or statements are by their nature subject to significant unknown risk, uncertainties and contingencies many of which are outside the control of FLK, that may cause actual future results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Similarly, no representation or warranty is made that the assumptions on which the Forward Statements are based may be reasonable. No audit, review or verification has been undertaken by FLK. Past performance is not an indicator of future performance. Investment in the Company is subject to investment risk, including possible delays in payment or loss of income and principal invested. Neither FLK, nor its associates or Directors, nor any other person named in this presentation guarantee the performance of FLK, the repayment of capital or any particular rate of capital or income return.

Some of the key risk factors that should be considered by prospective investors are set out in section 5 of the presentation. There may be risk factors in addition to these that should be considered in light of your personal circumstances. You should also consider the risk factors that could affect the Company's business, financial condition and results of operations.

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OVERVIEW

EXECUTIVE SUMMARY

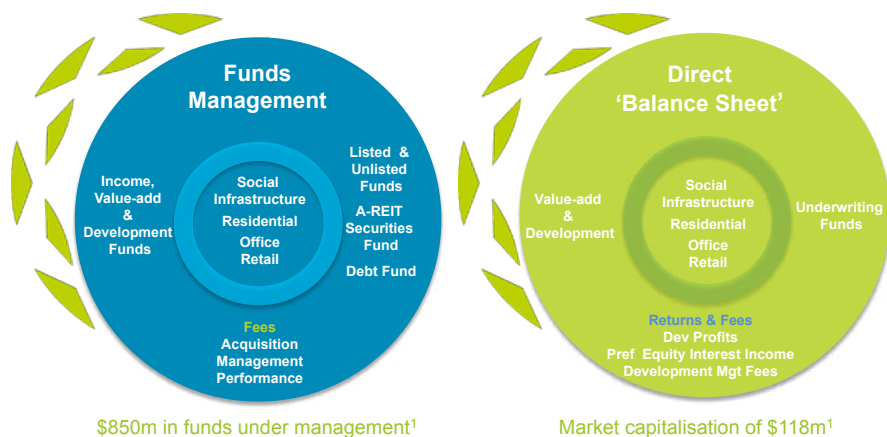
- Folkestone is a specialist real estate funds manager and developer
- FLK is seeking to raise \$42m (via an Institutional Placement and an Accelerated Non-Renounceable Entitlement Offer) to:
 - increase its strategic holding in Folkestone Education Trust (FET)
 - fund new development opportunities for both its balance sheet and to expand its funds management platform
- Issue price of \$0.20 per share represents:
 - a 10.0% discount to the 5 day VWAP¹
 - a 9.8% discount to the 30 day VWAP¹
- Since the last capital raising in November/December 2013 FLK has:
 - delivered 36% return to participants in that offer¹
 - expanded FUM by 35% with the launch of four unlisted funds and the acquisition of Maxim Asset Management
 - announced the merger of FET and Folkestone Social Infrastructure Trust (FST) to create Australia's largest listed A-REIT focused on early learning properties²
 - continued to deliver on its existing developments and grown its development pipeline for both on-balance sheet investments and its unlisted development funds

¹ Based on the closing price of \$0.225 as at 21 November 2014

² The merger is subject to approval by FST Unitholders at a meeting scheduled for 19 December 2014. See page 11 for further details

FOLKESTONE'S BUSINESS

AN ASX LISTED REAL ESTATE FUND MANAGER AND DEVELOPER
PROVIDING REAL ESTATE WEALTH SOLUTIONS FOR
PRIVATE CLIENTS AND SELECT INSTITUTIONS



¹ As at 21 November 2014

3. ASX RELEASES AND INVESTOR PRESENTATION CONT.

FOLKESTONE FUNDS MANAGEMENT OVERVIEW



Public
Markets

Equity

Listed A-REITs

- Folkestone Education Trust (ASX: FET)¹
- Folkestone Social Infrastructure Trust (ASX: FST)¹

A-REIT Securities Funds

- Folkestone Maxim A-REIT Securities Fund

Equity (Private Funds)

Income Funds

- Altona North
- CIB
- Oxley
- Sydney Olympic Park
- Wollongong

Development Funds

- West Ryde
- Truganina

Debt

High Yield Debt Fund

- Folkestone Maxim Income Fund

\$850M IN FUM

- A menu of real estate funds across:
 - public (listed) and private (unlisted) markets, debt and equity to meet the various risk/return requirements of our clients
 - sectors - office, retail, residential and social infrastructure

¹ The responsible entities of FET and FST announced a proposal to merge FST and FET on 13 November 2014. The merger is subject to approval by FST Unitholders at a meeting scheduled for 19 December 2014. See page 11 for further details

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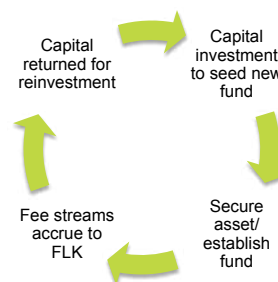
LISTED AND UNLISTED FUNDS

Current Funds ¹	Type	FUM (\$m)	Base Fees p.a	Other Fees
Folkestone Education Trust (ASX: FET) ¹	Listed	474	0.50% of gross assets	- Debt Arrangement Fee
Folkestone Social Infrastructure Fund (ASX: FST) ¹	Listed	121	1.0% gross assets ²	- Acquisition Fee - Disposal and Performance Fees
CIB Fund	Unlisted Wholesale	72	0.25% of gross assets	- Leasing Fee
Sydney Olympic Park Income Fund	Fixed term unlisted – Sept 2017	32	1.3% of net assets	- Acquisition Fee - Performance Fee
Wollongong Income Fund	Fixed term unlisted – June 2019	28	1.3% of net assets	- Acquisition Fee - Performance Fee
Altona North Income Fund	Fixed term unlisted – Oct 2020	33	1.1% of net assets	- Acquisition Fee - Performance Fee
Oxley Income Fund	Fixed term – April 2020	36	1.3% of net assets	- Acquisition Fee - Performance Fee
West Ryde Development Fund	Unlisted – Sept 2015	17	\$150,000	- Acquisition Fee - Performance Fee
Truganina Development Fee	Unlisted – June 2019	18 ²	\$400,000	- Acquisition Fee - Underwriting Fee - Performance Fee
Maxim Asset Mgt	Unlisted	19	0.95% of net assets	- Management Fee

1. The merger is subject to approval by FST Unitholders at a meeting scheduled for 19 December 2014.
 2. The fee will be reduced to 0.5% p.a. if the merger with FET proceeds
 3. Reflects the forecast equity to be raised for this Fund. The capital raising commenced on 19 November and is due to be completed by February 2015.

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- Core, value-add & opportunistic (development) funds
- Manage both listed and unlisted funds, A-REIT securities
- Current FUM circa \$850m
- FLK has established significant momentum with its distribution channels and is well positioned to continue the rollout of new funds
- Recycling capital to grow FUM by underwriting new funds



DELIVERING ON ITS COMMITMENTS SINCE LAST RAISING

SHAREHOLDER RETURN

- Delivered a 36%¹ total shareholder return to participants in the November 2013 raising

SIGNIFICANTLY EXPANDED FUNDS MANAGEMENT PLATFORM

- Grown FUM by 35% from \$630m in Nov 2013 to \$850m in Nov 2014
- Four new unlisted real estate funds since Nov 2013
 - Folkestone West Ryde Development Fund which FLK co-invested with completion in CY15
 - Folkestone Real Estate Income Fund at Altona North
 - Folkestone Real Estate Income Fund at Oxley
 - Folkestone Truganina Development Fund which FLK has underwritten and co-invested (launched 19 November 2014)
- Acquired Maxim Asset Management that specialises in listed real estate securities
- Simplified social infrastructure funds management platform with the merger of the unlisted Folkestone Childcare Fund into FET and announced the merger of FET and FST²

ON-BALANCE SHEET DEVELOPMENTS

- Completed Stage 1 of Altona North, a 21,639 square metre large format retail centre in September 2014 that was pre-sold to the Folkestone Real Estate Income Fund at Altona North
- Entered into 50/50 JV with Wilmac Properties to commence Stage 2 of Altona North
- Continued development of Potters Grove, Officer, Victoria residential land subdivision
- Acquired, in a 50/50 JV with ID_Land, a call option over 8 hectares of land in Officer for a 140 lot residential land subdivision
- Underwrote and co-invested 20% (\$3.65m) in the Folkestone Truganina Development Fund, which has acquired, in an 80/20 JV with ID_Land, a 690 lot land subdivision in Truganina in Melbourne

¹ Closing price of \$0.225 as at 22 November 2014

² The merger is subject to approval by FST Unitholders at a meeting scheduled for 19 December 2014. See page 11 for further details

WEST RYDE DEVELOPMENT FUND

- FLK raised capital in 2013 to co-invest in the Folkestone West Ryde Development Fund ("Fund")
- Residential apartment project in West Ryde, 20kms west of Sydney CBD
- Unlisted development fund in a 50:50 joint venture with Toga
- FLK co-invested 50% (\$8.7m) of the Fund's equity interest in the project – effective 25% interest in the project
- FLK receives:
 - acquisition fee - \$609,000 (one-off)
 - management fees - \$150,000 p.a.
 - a performance based on 30% of any outperformance above an 18% equity IRR post fees, pre tax
- Since launching the Fund:
 - number of apartments has increased from 205 to 229 and commercial suites removed – net increase in revenue
 - 228 apartments have been pre-sold
 - average apartment price increase from \$8,500/sqm to \$9,100/sqm
- Fund forecast returns have been upgraded and FLK is forecasting to receive a performance fee

Fund Metrics	Information Memorandum	Current Forecast
Fund Forecast Profit (\$m)	5.56	7.86
FLK Share of Fund Profit (\$m)	2.78	3.93
Fund IRR (pre-tax, post fees) (%)	18.0	27.3
Fund ROE (pre-tax, post fees) (%)	32.0	45.0
Forecast FLK Performance Fee (\$m)	-	1.2



3. ASX RELEASES AND INVESTOR PRESENTATION CONT.

FET AND FST MERGER

- On 13 November 2014, FET announced a proposal to merge with FST subject to approval of FST Unitholders (the Proposal)
- The Independent Directors representing FST have unanimously recommended the Proposal, in the absence of a superior proposal
- FLK agreed to acquire 9.0m Units in FET for \$16.8m conditional on approval from FST Unitholders
- A meeting of FST Unitholders is scheduled for 19 December 2014

BENEFITS TO FET UNITHOLDERS

- ✓ Significant increase in early learning properties from 354 to 401
- ✓ Accretive to FY15 DPU and NTA per unit
- ✓ Increased market capitalisation and enhanced liquidity
- ✓ Reduced transaction costs through lower stamp duty than outright purchase
- ✓ No additional capital from FET investors or financiers

BENEFITS TO FST UNITHOLDERS

- ✓ Significant premium to previous trading prices and NTA
- ✓ Increased diversification with reduction in QLD exposure
- ✓ Enhanced growth profile via access to FET development pipeline
- ✓ Reduction in ongoing management fees
- ✓ Increased market capitalisation and enhanced liquidity

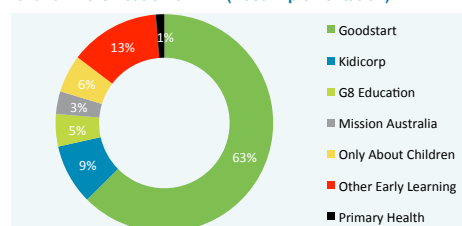
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OVERVIEW OF FET POST MERGER WITH FST

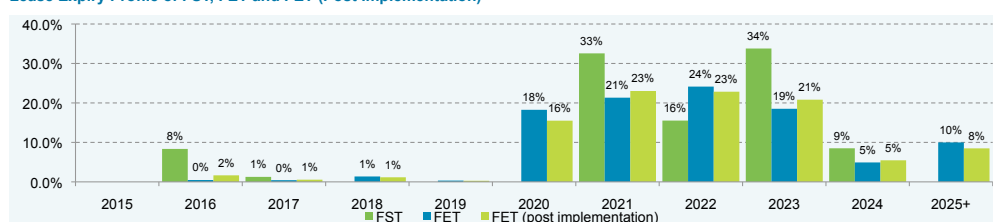
- FET is an ASX listed A-REIT that is the largest Australian property trust investing in early learning properties in Australia and New Zealand
- Post the merger with FST¹, FET will own 402 direct property assets (401 early learning properties and 1 medical centre) with gross asset value of \$553 million
- FET has an active development pipeline of early learning properties valued at \$66m 'upon completion'
 - 6 early learning centres are under development
 - 2 development sites are under contract to purchase
 - in negotiations to acquire a further 6 sites

Tenant Diversification of FET (Post Implementation)



Diversification by tenant rental income

Lease Expiry Profile of FST, FET and FET (Post Implementation)



Lease expiry by income for year ending June 2014

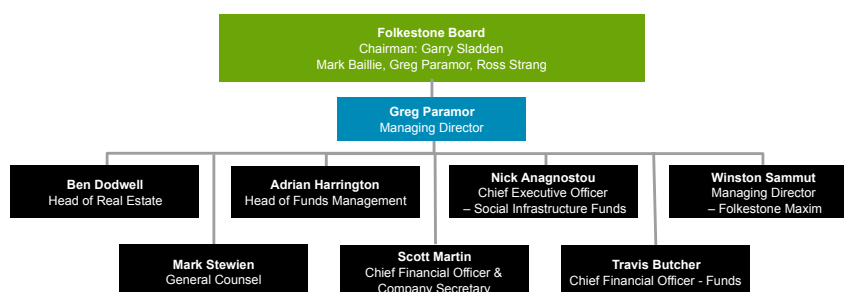
¹ The merger is subject to approval by FST Unitholders at a meeting scheduled for 19 December 2014

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BOARD & SENIOR MANAGEMENT

- Significant experience to create value for shareholders and investors in its funds
- Long-standing relationships in the Australian real estate, financial services and funds management industries
- Successful track record of performance across real estate funds management, investment and development activities



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EQUITY RAISING APPLICATION OF FUNDS



3. ASX RELEASES AND INVESTOR PRESENTATION CONT.

APPLICATION OF FUNDS

KEY TAKEAWAYS

- FLK is seeking to increase its interest in FET from 1.3% to 9.5%¹ via the acquisition of:
 - 11.3m units in FET for \$21.7 m²
 - FST's interest in FET (9.0m units) for \$16.8m³
- FLK has secured a debt facility \$12.8m to partly fund the acquisition of FET units
- FLK is currently in advanced negotiations on a number of development opportunities to:
 - invest capital directly in projects
 - grow its funds management platform

Sources	(\$m)	Uses	(\$m)
Placement	15.8	Acquire FET Units	38.5
Entitlement Offer	26.2	Future developments	14.5
Debt	12.8	Transaction costs	1.8
Total	54.8	Total	54.8

Ownership Analysis	FET (Units m)	% of FET
FLK current holding	2.8	1.3
FLK off-market acquisition of FET Units	11.3	5.5
FLK holding in FET Pre FET/FST merger	14.1	6.8
FLK acquisition of FST's Units in FET ^{2,3}	9.0	3.7
FLK holding in FET post FET/FST merger	23.1	9.5

¹ Adjusted for the FET units on issue post the merger with FST

² Conditional on the settlement of the Placement

³ Conditional on a FST Unitholders meeting scheduled for 19 December 2014

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DEVELOPMENT OPPORTUNITIES

- FLK seeks to regularly turn over its balance sheet capital to:
 - invest directly (on-balance sheet)
 - sell down to an FLK fund (recycle)
 - co-invest with an FLK fund (invest along side)
- FLK is under exclusive due diligence on 6 development projects with a combined estimated end value of \$715m (FLK indicative share \$332m)
- FLK is in negotiation on a further 5 projects across residential (land/apartments), retail and retirement/aged care

Under Exclusive Due Diligence	Location	Status	FLK Indicative Share %	Estimated End Value (A\$m)	FLK Indicative Value (A\$m)
Residential (~500 lots)	VIC	Zoned/STCA ¹	25.0	100	25
Residential (~500 Apartments)	QLD	Complying Development	50.0	200	100
Residential (~300 Apartments)	NSW	Zoned/STCA ¹	40.0	125	50
Mixed Use (Residential/Retail/Commercial/Other)	NSW	STCA ¹	33.3	200	67
Retail – (~5,000 sq.m.)	VIC	Zoned/STCA ¹	100.0	30	30
Retail – (~13,000 sq.m.)	VIC	Zoned/STCA ¹	100.0	60	60
Total				715	332

¹ STCA – subject to council approval

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FOLKESTONE OUTLOOK

- Well positioned to continue to deliver on the strategy to:
 - deliver on existing balance sheet projects
 - grow its suite of listed and unlisted real estate funds
 - seek value-add and opportunistic (developments) acquisitions for its on-balance sheet investments
- Grow recurring earnings through funds management
 - actively source product for existing and new income and development funds
 - take advantage of strong demand from investors for real estate funds
 - further expand FET (post merger) with active development pipeline valued at ~\$66m "upon completion" and additional 14 sites under negotiation
 - opportunity to capitalise on the growing social infrastructure space – social and demographic changes plus government increasingly looking at public-private partnerships
- Undertake earnings accretive opportunistic acquisitions for its on-balance sheet investments



Millers Road Home, Altona North



Moorabbin Police Station

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DETAILS OF THE EQUITY RAISING



3. ASX RELEASES AND INVESTOR PRESENTATION CONT.

EQUITY RAISING OVERVIEW

- Folkestone ("FLK") is seeking to raise \$42.0m through an equity raising ('Equity Raising')
- Issue price of \$0.20 per New Share representing a:
 - 10.0% discount to the 5 day VWAP¹
 - 9.8% discount to 30 day VWAP¹
- Greg Paramor (Managing Director) and Mark Baillie (Non-Executive Director) have committed to subscribe for their full entitlement in addition to sub-underwriting a component of the Entitlement Offer



Thales Building, Sydney Olympic Park



South Morang Early Learning Centre

¹ Based on the closing price of \$0.225 as at 21 November 2014

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EQUITY RAISING STRUCTURE

\$42 M EQUITY RAISING AT AN OFFER PRICE OF \$0.20, COMPRISING A \$15.8 M INSTITUTIONAL PLACEMENT AND A \$26.2 M ACCELERATED NON-RENOUNCEABLE ENTITLEMENT OFFER

INSTITUTIONAL PLACEMENT

- Institutional Placement to raise \$15.8m offered to existing and new institutional investors
- Shares issued under the Institutional Placement will not be entitled to participate in the Entitlement Offer

ENTITLEMENT OFFER

- 1-for-4 accelerated non-renounceable entitlement offer of \$26.2m
- Record date is Thursday 27 November 2014
- Entitlement Offer will involve an accelerated Institutional Entitlement Offer and a Retail Entitlement Offer:
 - New Shares not subscribed for under the Institutional Entitlement Offer will be placed into the Institutional Placement bookbuild
 - Retail Entitlement Offer opens Tuesday 2 December 2014 and closes 5:00pm AEDT Thursday 11 December 2014
 - Eligible Shareholders under the Retail Entitlement Offer may apply for up to \$100,000 worth of additional New Shares in excess of their entitlements (subject to scale back as described in the Retail Entitlement Offer Booklet)

RANKING

- New Shares issued under the Equity Raising will rank equally with existing FLK shares

ADVISORS

- BG Capital and Moelis & Company are Joint Financial Advisors and Joint Lead Managers to the Placement and Entitlement Offer

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PRO FORMA BALANCE SHEET

(\$m)	30-Jun-14	Adj	Capital Raising	FST/FET Merger ¹	Pro-Forma
Cash	27.2	(2.9)	18.5	(4.0)	38.8
Trade and other receivables	7.2	(0.9)			6.3
Inventories	38.2	(25.0)			13.2
Assets classified for sale	3.2	(3.2)			-
Other financial asset	4.5	0.8	21.7	16.8	43.8
Investment in JV	19.6	8.0			27.6
Intangibles and goodwill	12.8				12.8
Other assets	3.8				3.8
Total assets	116.5	(23.2)	40.2	12.8	146.3
Trade payables	(6.5)	5.0			(1.5)
Borrowings	(26.1)	19.0		(12.8)	(19.9)
Other liabilities	(0.6)				(0.6)
Total Liabilities	(33.2)	24.0	-	(12.8)	(22.0)
Net Assets	83.3	0.8	40.2	-	124.3
Net Assets attributable to FLK	75.0				116.0
NAV per Share (cents)	14.3				15.8

¹ Subject to the successful merger of FST and FET

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- 30 June 2014 balance sheet adjustments reflect:
 - sell down of Oxley fund (\$3.2m cash inflow)
 - launch of Folkestone Truganina Development Fund (\$8.4m cash drawdown)
 - completion of Officer Stages 2 and 3A (\$1.9m cash inflow)
 - completion of Altona Stage 1 (\$25m reduction in inventory, retire \$19m in project level debt and \$5m reduction in payables)
 - launch of Officer Stage 2 (\$0.6m cash drawdown)
 - revaluation of FET holding (up \$0.8m)
- Net proceeds from capital raising are applied to acquisition of 11.3m units in FET (\$21.7m) and working capital to fund new developments
- FST/FET Merger adjustments reflect conditional acquisition of 9.0m FET units for \$16.8m funded from cash (\$4m) and drawdown on debt (\$12.8m)

EQUITY RAISING TIMETABLE¹

Trading Halt and announcement of Acquisitions and Equity Raising	Monday, 24 November 2014
Placement and Institutional Entitlement Offer Opens	Monday, 24 November 2014
Placement and Institutional Entitlement Offer Closes	Tuesday, 25 November 2014
Trading recommences	Wednesday, 26 November 2014
Record date for Entitlement Offer	7:00pm Thursday, 27 November 2014
Retail Entitlement Offer opens	Tuesday, 2 December 2014
Dispatch of Retail Entitlement Offer Booklet and entitlement and acceptance forms	Tuesday, 2 December 2014
Settlement of Placement and Institutional Entitlement Offer	Wednesday, 3 December 2014
Allotment and quotation of New Shares issued under the Placement and Institutional Entitlement Offer	Thursday, 4 December 2014
Retail Entitlement Offer closes	Thursday, 11 December 2014
Settlement of Retail Entitlement Offer	Wednesday, 17 December 2014
Allotment of New Shares issued under the Retail Entitlement Offer	Thursday, 18 December 2014
Quotation of New Shares issued under the Retail Entitlement Offer	Friday, 19 December 2014
Dispatch of holding statements	Monday, 22 December 2014

¹. All dates and times are indicative only and subject to change at the discretion of the Company. All dates and times are references to Australian Eastern Daylight Saving Time.

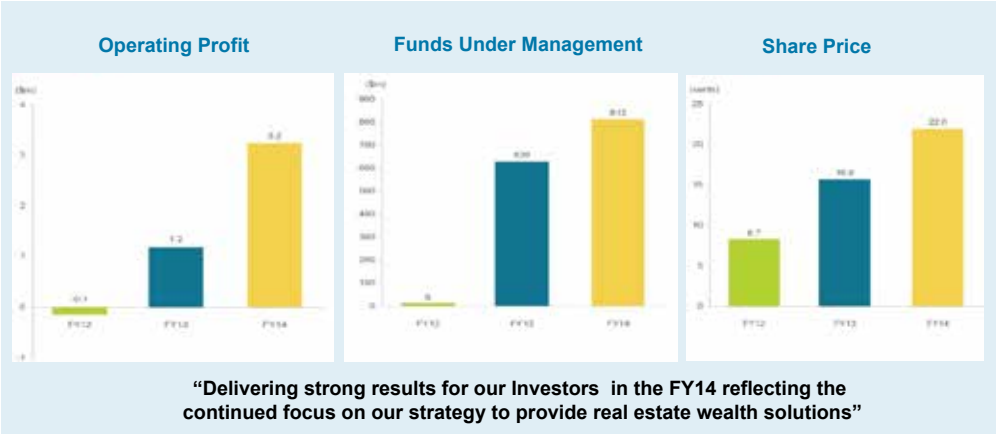
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FY14 PERFORMANCE

FOLKESTONE HAD ANOTHER ACTIVE YEAR WITH FURTHER GROWTH IN OUR FUNDS MANAGEMENT PLATFORM AND THE CONTINUED DEVELOPMENT OF OUR ON-BALANCE SHEET ASSETS



FY14 RESULT – REVENUE

\$'000s	30 June 2014	% of Total	30 June 2013	% of Total	Variance
Funds Management¹	7,018	68.5	5,223	63.0	1,795
Development²	2,088	20.4	2,315	28.0	(227)
Other³	1,140	11.1	744	9.0	396
Total Revenue	10,246	100%	8,282	100%	1,964

- Funds management contributed \$7.0m or 68.5% of revenue in FY14, up from 63.0% in FY13
- Development revenue contributed \$2.1m or 20.4% of revenue, down from 28.0% in FY13
 - \$1.1m was generated from preferred equity interest
 - \$1.0m was generated from Folkestone's share of development profits from Officer, Karratha and West Ryde
- Other income was up \$0.4m in FY14 to \$1.1m, primarily due to distributions from Folkestone's holding in Folkestone Education Trust and the distribution received on the underwrite of units of the Folkestone Real Estate Income Fund at Oxley

- Funds management revenue includes acquisition fees, disposal fees, leasing fees, on going management fees and cost recoveries.
- Development revenue includes interest income on preferred equity loans, fees generated from development projects and share of joint venture profits.
- Other revenue includes interest income earned from cash reserves and distributions from Folkestone's investment in FET and Folkestone's underwriting units in the Folkestone Real Estate Income Fund at Oxley.

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APPENDIX 2 – KEY RISKS



3. ASX RELEASES AND INVESTOR PRESENTATION CONT.

KEY RISKS

- This section summarises some of the key risks that may affect the future performance of an investment in FLK. This is not an exhaustive list of the relevant risks and investors should read the entire presentation. If any of the following risks materialise FLK's business, financial condition and operation results may adversely be impacted. Investors should also consider consulting their financial, tax, or legal adviser so as to ensure they understand fully the terms and conditions of this Equity Raising and the inherent risks.

General Investment Risks Affecting FLK

- Economic environment:** General economic factors such as interest rates, inflation, business and consumer confidence and general market factors may have an adverse impact on FLK's earnings. Aspects of the business that could be affected include reduced management and performance fees, reduced funds under management, reduced distribution income and other adverse consequences.
- ASX market volatility:** The ASX price of FLK shares will fluctuate due to various factors including general movements in interest rates, the Australian and international investment markets, international economic conditions, global geo-political events and hostilities, investor perceptions and other factors that may lead to FLK's financial performance and position. Recently, markets have become more volatile, with volatility in some markets at very high levels. New Shares may trade at or below the price at which they commence trading on ASX including as a result of any of the factors that have been mentioned and factors such as those mentioned may also affect the income, expenses and liquidity of FLK. Additionally, the stock market can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of FLK.
- Liquidity and realisation risk:** there can be no guarantee that there will be an active market in the New Shares or that the price of the New Shares will increase. There may be relatively few or many buyers or sellers of the New Shares on the ASX at any one time which may lead to increased prices volatility and affect the price at which shareholders are able to sell their New Shares.
- Interest rates:** Adverse fluctuations in interest rates, to the extent that they are not hedged or forecast, may impact on FLK's earnings. FLK's asset values and the asset value of funds managed by FLK may also be affected by any impact that rising interest rates may have on real estate markets in which FLK operates.
- Real estate liquidity:** The real estate assets, to which FLK and the funds managed by FLK are exposed, are by their nature, illiquid investments. There is a risk that realisation of any of these assets may not be able to be completed in a timely manner and at a value expected by FLK.

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KEY RISKS (CONT'D)

General Investment Risks Affecting FLK (cont'd)

- Real estate performance:** FLK is subject to the prevailing real estate market conditions in the sectors in which each of the development or funds under control of FLK operate. Deterioration in investment markets conditions in the real estate sector due to a sustained downturn in the domestic and/or global economic climate could adversely impact FLK's earnings through directly reducing the value of existing developments or funds under management by FLK and through reducing the attractiveness of the real estate sector to investors.
- Taxation implications:** Future changes in taxation laws, including changes in interpretation or application of those laws by the court or taxation authorities, may affect taxation treatment of an investment in FLK's shares, or the holdings and disposal of those shares. Tax considerations may differ between security holders, therefore, prospective investors are encouraged to seek professional tax advice in connection with any investment in shares. Further, changes in tax law, or changes in that way tax law is, or is expected to be, interpreted in the various jurisdictions in which FLK operates may impact the future tax liabilities of FLK. Those laws may also adversely affect the taxation treatment of entities in FLK and that may in turn adversely affect the value of FLK's shares.
- Regulatory risk and changes in legislation:** FLK is subject to the usual business risk that there may be changes in laws or government legislation, regulation and policy that reduces income or increases costs. FLK operates in a highly regulated environment and it, and the FLK Funds, are subject to a range of industry specific and general legal and other regulatory controls (including Australian Financial Services Licensing (AFSL) and Anti Money Laundering / Counter Terrorism Funding (AML/CTF) requirements). Regulatory breaches may affect FLK's operational and financial performance, through penalties, liabilities, restrictions on activities and compliance and other costs. In addition, changes in government legislation and policy in those jurisdictions in which FLK and the FLK Funds operate may affect future earnings. This may include changes in stamp duty and tenancy legislation, policies in relation to land development and zoning and delays in granting of approvals or registration of subdivision plans. FLK is also subject to the usual risks around changes in taxation regimes and Accounting Standards. These changes may adversely affect the future earnings, asset values and the market value of FLK shares quoted on the ASX.
- Forward looking statements:** There can be no guarantee that the assumptions and contingencies on which forward looking statements, opinions and estimates are based will ultimately prove to be valid or accurate. The forward looking statements, opinions and estimates depend on various factors, many of which are outside the control of FLK.

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KEY RISKS (CONT'D)

FLK Specific Risks

- **Execution of strategy:** the ability of FLK to formulate and execute its strategy is key to its ability to operate a business on a sustainable basis. If this is not achieved, the financial position of FLK may be adversely affected.
- **Reliance on third party equity:** As a fund manager, growth in FLK's earnings may be impacted on the ability of FLK to establish new listed or unlisted funds. Specifically such income growth is dependent on the ability of FLK to continue to source and maintain equity from new and existing investors for current and future funds.
- **Co-investment:** FLK may hold co-investment positions in a number of the funds it manages. Such investments are subject to the general investment risks outlined above. Factors influencing the financial performance of these managed funds may adversely impact the value of FLK's assets or quantum of its earnings which may in turn impact the price of the listed shares.
- **FST/FET merger does not proceed:** The merger of FST and FET is subject to FST Unitholders approving the merger at a meeting scheduled for 19 December 2014. There is a risk that the FST Unitholders will not approve the merger by the required majority and therefore the merger will not proceed. If the merger is not approved, FLK's acquisition of FST's interest in FET will not proceed. This will increase FLK's available working capital and balance sheet for investments.
- **Property related risks:** An investment in FLK is essentially an investment in real estate and therefore may be adversely affected by changes to the underlying real estate on its balance sheet and within its managed fund portfolio, including: construction and development risk; tenancy default or failure or delays in letting up premises and falls in rental and occupancy levels; capital expenditure requirements; unforeseen litigation with tenants; native title claims; claims under environmental legislation; and changes in local, state and territory and federal legislation and regulations, particularly relating to planning.
- **Reliance on key personnel:** The success of FLK is highly dependent on the abilities and performance of the Directors, Senior Management and the FLK Investment Team. The ability of FLK to retain and attract high quality executives, fund managers and employees is important to the operations of FLK. Loss of key personnel may adversely affect the business performance of FLK, the valuation of FLK's business and assets of the price of the New Shares.
- **Dividends:** The payment of dividends, if any, is determined by the Board from time to time at its discretion and is dependent on the profitability and cashflow of FLK's business at the time.

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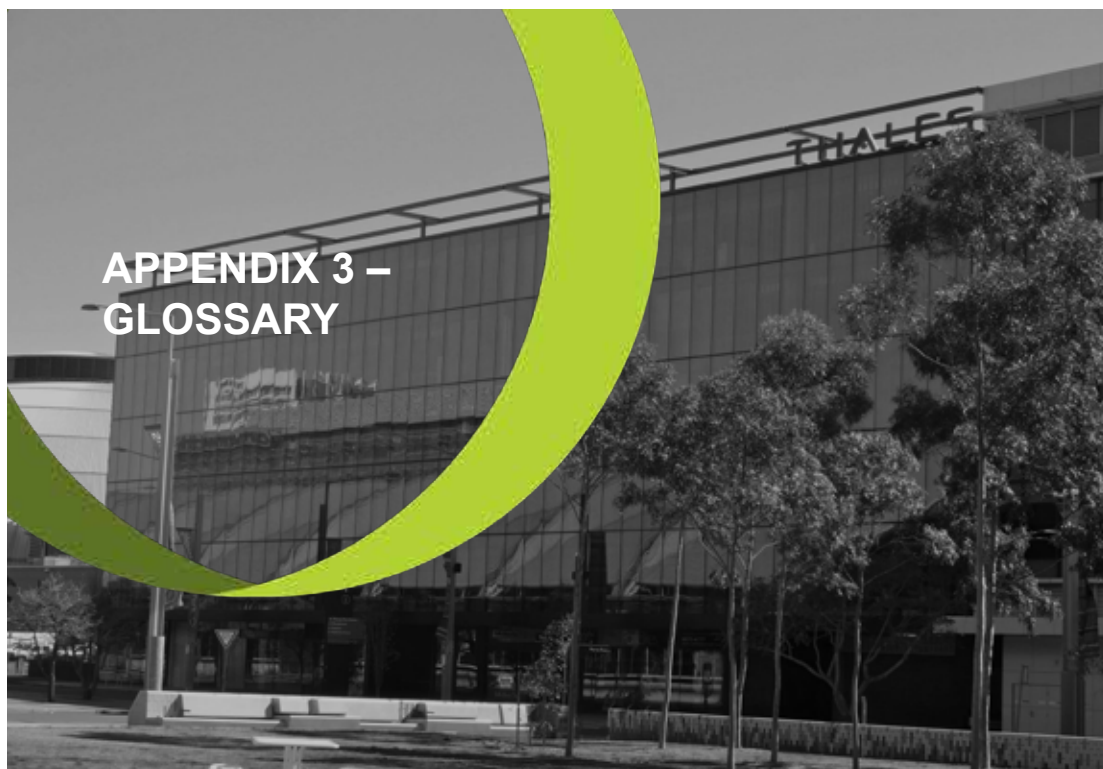
KEY RISKS (CONT'D)

FLK Specific Risks (Cont'd)

- **Litigation and legal action:** FLK and other members of the FLK Group, may be exposed to potential litigation from investors, regulators, employees, business associates and companies. To the extent that these risks are not covered by insurance policies, litigation or the costs of responding to actual or potential litigation could have a material adverse impact on FLK's financial position and earnings and the price of FLK shares.
- **Opportunity risk:** the performance of FLK is dependent on the senior executives and senior management team identifying and executing suitable investment opportunities. Such opportunities are subject to market conditions and other factors which may be outside the control of the senior executives and senior management team.
- **Refinancing requirements:** FLK is exposed to risks relating to refinancing its existing debt instruments and facilities. FLK has debt facilities maturing in 2015. If FLK experiences difficulty in refinancing some or all of these debt maturities, the terms on which they are refinanced are less favourable than at present, this may adversely affect FLK.
- **Debt covenants:** FLK's ability to meet its debt covenants is dependent on many factors, including its ability to manage its cashflow and to operate the business in a sustainable manner. If any of these criteria are not satisfied, there is the risk that funding covenants may not be met. This would give lenders the right to take action under the facility agreements which could have an adverse impact on FLK.
- **Counter-party risk:** FLK deals with many counter-parties, including customers, suppliers, joint venture partners and other service providers. If any of these parties fail to meet their contractual obligations, the result could have an adverse impact on FLK.
- **Occupational health and safety:** Construction activity carries with it a risk of personal injury to persons engaged. If FLK does not manage its OHS obligations properly, FLK would suffer a risk of a damages claim against it for injury as well as reputational risk, which may make it more difficult to obtain and retain highly skilled workers.
- **Development pipeline:** FLK currently owns a number of development assets that are presently at various stages of development. Real estate development carries a number of risks, including issues pertaining to the application of planning approvals from local authorities which can result in delays or require amendments to plans. Both of which may result in increased costs, breach of contract by building contractors and unforeseen circumstances, which may cause project delays or increases to building costs. There is a risk that the forecast returns from developments may not eventuate as forecast, with a consequential adverse financial impact on FLK.

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GLOSSARY

TERM	DEFINITION
\$ or cents	Australian dollars
Additional New Shares	Shares applied for in excess of those allocated under the entitlement offer (up to a limit of \$100,000 worth of Additional New Shares)
Board	Board of Directors of Folkestone Limited (ABN 21 004 715 226)
Eligible Shareholders	A shareholder with a registered address in Australia or New Zealand
Entitlement Offer	1-for-4 non-renounceable entitlement offer to raise approximately \$26.2 million
Equity Raising	Raising of new equity, up to \$42.0 million, via the Institutional Placement and the Entitlement Offer
FET	Folkestone Education Trust (ARSN 102 955 939)
FLK	Folkestone Limited (ACN 004 715 226)
FLK Funds	A fund that FLK Group acts as a Responsible Entity or Trustee
FLK Group	FLK and its wholly owned subsidiaries
FST	Folkestone Social Infrastructure Trust (ARSN 094 614 874)
FUM	Funds under management
Institutional Placement	An institutional placement to raise approximately \$15.8 million
IRR	Internal rate of return
New Shares	Shares issued under the Institutional Placement and Entitlement Offer
NTA	Net tangible assets
Offer Price	\$0.20 cents per New Share
VWAP	Volume weighted average price



WOLLONGONG CITY COUNCIL

43 Burrelli and 34 Stewart Street, Wollongong – an asset of the Folkestone Real Estate Income Fund at Wollongong.

4. IMPORTANT INFORMATION

- 4.1 Additional information
- 4.2 Eligible Retail Shareholders
- 4.3 Ineligible Shareholders
- 4.4 Additional New Shares
- 4.5 Rounding of Entitlements
- 4.6 No Entitlements trading
- 4.7 Not investment advice or financial
produce advice product advice
- 4.8 Foreign jurisdictions
- 4.9 Governing law
- 4.10 Taxation
- 4.11 Underwriting, sub-underwriting and
control implications
- 4.12 Information availability
- 4.13 Forward-looking statements and
future performance
- 4.14 Past performance
- 4.15 Notice to nominees
and custodians
- 4.16 Disclaimer of representations
- 4.17 ASX confirmations
- 4.18 Privacy



Early Learning Centre at South Morang, Vic – an asset of the Folkestone Education Trust

4.1 ADDITIONAL INFORMATION

This Retail Offer Booklet (including the ASX announcements and the Investor Presentation reproduced in it) and the accompanying personalised Entitlement and Acceptance Form have been prepared by the Company. The information in this Retail Offer Booklet is dated 26 November 2014 (other than the Investor Presentation and ASX announcement in relation to the Equity Raising published on the ASX website on 24 November 2014).

No party other than the Company has authorised or caused the issue of the information in this Retail Offer Booklet, or takes any responsibility for, or makes any statements, representations or undertakings in this Retail Offer Booklet.

This information is important and requires your immediate attention. You should read the information in this Retail Offer Booklet carefully and in its entirety before deciding whether to invest in New Shares or Additional New Shares. In particular, you should consider the risk factors outlined in the 'Key Risk Factors' Section in Appendix 2 of the Investor Presentation, which is included in this Retail Offer Booklet at Section 3, any of which could affect the operating and financial performance of the Company or the value of an investment in the Company.

You should consult your stockbroker, accountant, financial adviser, taxation adviser, solicitor or other independent professional adviser to evaluate whether or not to participate in the Retail Entitlement Offer.

The Company has applied to ASX for the grant of official quotation of the New Shares. It is expected that quotation of the New Shares and any Additional New Shares issued under the Retail Entitlement Offer will occur on 19 December 2014. The Company will have no responsibility and disclaims all liability (to the maximum extent permitted by law, including

for negligence) to persons who trade New Shares (or Additional New Shares, if any) before they are quoted on ASX or before they receive their confirmation of issue, whether on the basis of confirmation of the allocation provided by the Company, the Registry or otherwise. Neither ASX nor any of its officers takes any responsibility for the contents of this Retail Offer Booklet.

4.2 ELIGIBLE RETAIL SHAREHOLDERS

The information in this Retail Offer Booklet contains an offer of New Shares to Eligible Retail Shareholders in Australia and New Zealand.

Eligible Retail Shareholders are those holders of Existing Shares who:

- are registered as a holder of Existing Shares as at 7.00pm AEDT on the Record Date;
- have a registered address on the Company's Share register in Australia or New Zealand;
- are not in the United States and are not acting on behalf of a person in the United States (to the extent such person holds Existing Shares on behalf of a person in the United States);
- are eligible under all applicable laws to receive an offer under the Retail Entitlement Offer without a prospectus, disclosure document, product disclosure statement or any lodgement, filing, registration or qualification; and
- were not invited to participate (other than as nominee, in respect of other underlying holdings) in the Institutional Entitlement Offer.

The Company may (in its absolute discretion) extend the Retail Entitlement Offer to any Shareholder in other foreign jurisdictions (excluding the United States and subject to compliance with applicable laws).

The Company reserves the right to determine whether a Shareholder is an Eligible Retail Shareholder and is therefore able to participate in the Retail Entitlement Offer, or an Ineligible Shareholder and is therefore unable to participate in the Retail Entitlement Offer. The Company disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a Shareholder is an Eligible Retail Shareholder or an Ineligible Shareholder.

Subject to the above, the Retail Entitlement Offer is not being extended to any Shareholders outside Australia and New Zealand.

By returning a completed Entitlement and Acceptance Form or making a payment by BPAY you will be taken to have represented and warranted that you, and each person on whose account you are acting, satisfy each of the criteria listed above. Eligible Retail Shareholders who are nominees, trustees or custodians are therefore advised to seek independent professional advice as to how to proceed.

Persons acting as nominees for other persons must not take up any Entitlements on behalf of, or send any documents related to the Retail Entitlement Offer to, any person in the United States.

4.3 INELIGIBLE SHAREHOLDERS

The Company, has decided that it is unreasonable to make offers under the Retail Entitlement Offer to retail investors who are holders of Existing Shares and who are in the United States or are acting on behalf of a person in the United States (to the extent that such persons hold Existing Shares on behalf of a person in the United States) or have registered addresses outside Australia and New Zealand, having regard to the number of such holders in those places and the number and value of the New Shares that they would be offered and the cost of complying with the relevant legal and regulatory requirements in those places.

4. IMPORTANT INFORMATION CONT.

As the Retail Entitlement Offer is non-renounceable, Ineligible Shareholders' right to subscribe for New Shares that would otherwise have been offered to them will lapse and Ineligible Shareholders will receive no value of their Entitlements.

4.4 ADDITIONAL NEW SHARES

Eligible Retail Shareholders may also apply for Additional New Shares in excess of their Entitlement up to a limit of \$100,000 worth of Additional New Shares per Applicant. There is no guarantee you will receive the amount of Additional New Shares applied for, if any. The allocation of any Additional New Shares will also be limited to the extent that there is any Retail Entitlement Offer Shortfall.

Additional New Shares will only be allocated to Eligible Retail Shareholders if and to the extent that the Company so determines, in its absolute discretion. The Company may apply any scale-back to applications for Additional New Shares in its absolute discretion.

If you apply for New Shares then, the Excess Amount (if any) may be treated as an Application to apply for as many Additional New Shares as your Excess Amount will pay for in full, up to the limit of \$100,000 worth of Additional New Shares.

No Additional New Shares will be issued to a Shareholder as part of the Retail Entitlement Offer which will result in them increasing their voting power in the Company above 20%.

Please also note that if you are an Eligible Retail Shareholder who is a "related party" of the Company (as that term is defined in the ASX Listing Rules), you may apply to take up your Entitlement in part or in full, but may not apply for Additional New Shares.

4.5 ROUNDING OF ENTITLEMENTS

Where fractions arise in the calculation of Entitlements, they will be rounded up to the next whole number of New Shares.

4.6 NO ENTITLEMENTS TRADING

Entitlements are non-renounceable and cannot be traded on ASX or any other exchange, nor can they be privately transferred.

4.7 NOT INVESTMENT ADVICE OR FINANCIAL PRODUCT ADVICE

The Retail Entitlement Offer to which the information in this Retail Offer Booklet relates is being made in reliance on Section 708AA of the Corporations Act. The information in this Retail Offer Booklet is not a prospectus, product disclosure statement, disclosure document or other offering document under the Corporations Act (or any other law) and has not been lodged with ASIC.

The information in this Retail Offer Booklet does not purport to contain all the information that you may require to evaluate a possible Application for New Shares or Additional New Shares, nor does it contain all the information which would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with the Company's other periodic statements and continuous disclosure announcements lodged with the ASX, which are available at www.asx.com.au.

The information in this Retail Offer Booklet is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs or circumstances.

Before deciding whether to apply for New Shares or Additional New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. You should conduct your own independent review, investigation and analysis of Existing Shares and the Retail Entitlement Offer. If, after

reading this Retail Offer Booklet, you have any questions about the Retail Entitlement Offer, you should contact your stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser.

4.8 FOREIGN JURISDICTIONS

The information in this Retail Offer Booklet has been prepared to comply with the applicable requirements of the securities laws of Australia and New Zealand.

The information in this Retail Offer Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Retail Entitlement Offer, the Entitlements, the New Shares or the Additional New Shares, in any jurisdiction outside of Australia or New Zealand. Return of the personalised Entitlement and Acceptance Form or your BPAY payment will be taken by the Company to constitute a representation by you that there has been no breach of any laws of a jurisdiction outside Australia or New Zealand.

The distribution of this Retail Offer Booklet (including an electronic copy) outside Australia and New Zealand may be restricted by law. If you come into possession of this Retail Offer Booklet, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

The New Shares are not being offered to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand).

This Retail Offer Booklet or material accompanying it has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities*

Act 1978 (New Zealand). This Retail Offer Booklet or material accompanying it is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

4.9 GOVERNING LAW

The information in this Retail Offer Booklet, the Retail Entitlement Offer, and dealings in the Entitlements and the contracts formed on acceptance of the Retail Entitlement Offer pursuant to the personalised Entitlement and Acceptance Forms are governed by the law applicable in New South Wales, Australia. Each Shareholder who applies for New Shares or Additional New Shares submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

4.10 TAXATION

Set out below is a general summary of the potential Australian tax implications of the Retail Entitlement Offer for Eligible Retail Shareholders who are resident individuals, complying superannuation entities and companies of Australia for tax purposes and who hold their Shares on capital account.

The summary below does not deal with the tax implications for Eligible Retail Shareholders who are not residents of Australia for tax purposes. It also does not deal with the tax implications for Eligible Retail Shareholders:

- who hold their Shares (or will hold their Entitlements) as revenue assets or trading stock;
- who are banks, insurance companies, partnerships and taxpayers carrying on a business of share trading;
- have acquired their Shares for the purposes of resale at a profit;
- who change their tax residence while holding their Shares;

- who acquired their Shares (or will hold their Entitlements) under an arrangement that constitutes an 'employee share scheme' for Australian tax purposes; or
- who are exempt from income tax in Australia or are subject to Division 230 of the Income Tax Assessment Act (i.e. the Taxation of Financial Arrangements).

It is intended as a general guide only and is not an authoritative or complete statement of all potential tax implications for each Eligible Retail Shareholder.

The summary below is not advice and should not be relied on as such. It also does not take account of any individual circumstances of any particular Eligible Retail Shareholder. Taxation is a complex area of law and the taxation consequences for each Eligible Retail Shareholder may differ depending on their own particular circumstances.

Accordingly, Eligible Retail Shareholders should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers.

The summary below is based on the law in effect as at the date of this Retail Offer Booklet. Future changes in Australian taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of an investment in Shares or the holding and disposal of Shares.

Issue of Entitlements

The issue of the Entitlements should not itself result in any amount being included in the assessable income of an Eligible Retail Shareholder.

Entitlements not taken up

Any Entitlements not taken up under the Retail Entitlement Offer will lapse and the Eligible Retail Shareholder will not receive any consideration as a result of the expiration of the Entitlements. On this basis, in these circumstances, there should not be any income tax implications for an Eligible Retail Shareholder.

Sale of Entitlements

There is no opportunity for Eligible Retail Shareholders to sell their Entitlements.

Exercise of Entitlements

For Eligible Retail Shareholders who exercise their Entitlements and are allocated New Shares:

- the Entitlements will cease to exist and a CGT event will occur, but any capital gain or loss made on the exercise of the Entitlements should be disregarded for tax purposes;
- the New Shares acquired as a result of exercising the Entitlements will be treated for CGT purposes as having been acquired on the day on which the Entitlements are exercised; and
- the New Shares should have a cost base for CGT purposes equal to:
 - » where the Eligible Retail Shareholder's Existing Shares were acquired (or are taken to be acquired) on or after 20 September 1985, the Offer Price payable by them for those New Shares plus certain non-deductible incidental costs they incur in acquiring them; or
 - » where the Eligible Retail Shareholder's Existing Shares were acquired (or are taken to be acquired) before 20 September 1985, the sum of the market value of the Entitlements when they were exercised and the Offer Price payable by them for those New Shares plus certain non-deductible incidental costs they incur in acquiring them.

4. IMPORTANT INFORMATION CONT.

New Shares

Eligible Retail Shareholders who exercise their Entitlements will acquire New Shares and may acquire, in the Company's absolute discretion and subject to scale back, Additional New Shares (as applicable).

Any future dividends or other distributions made in respect of those New Shares or Additional New Shares will be subject to the same taxation treatment as dividends or other distributions made on Existing Shares held in the same circumstances.

On any future disposal of New Shares or Additional New Shares, Eligible Retail Shareholders may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base or less than the reduced cost base of those Shares.

Any capital gain arising to Eligible Retail Shareholders who are individuals and trusts (other than trusts that are complying superannuation funds) can generally be reduced by one-half (after first offsetting available current year or carried forward net capital losses from previous years) if the New Shares or Additional New Shares are held for at least 12 months between the date the New Shares or Additional New Shares (as applicable) are acquired and the date of disposal. For Eligible Retail Shareholders which are complying superannuation funds, any capital gain can generally be reduced by one-third (after first offsetting available current year or carried forward capital losses from previous years) if the New Shares or Additional New Shares are held for at least 12 months between the date the New Shares or Additional New Shares (as applicable) are acquired and the date of disposal. The CGT discount is not available to Eligible Retail Shareholders that are companies.

New Shares will be treated for the purposes of the CGT discount as having been acquired when the Eligible Retail Shareholder exercised the Entitlement to subscribe for them. Additional New

Shares will be treated for the purposes of the CGT rules as having been acquired when the Company issues or allots those Additional New Shares.

Other Australian taxes

No GST is payable and no stamp duty should be payable in respect of the grant or exercise of the Entitlements or the acquisition of New Shares or Additional New Shares.

Eligible Retail Shareholders who acquire New Shares or Additional New Shares should obtain their own advice in relation to the GST and stamp duty consequences, in light of their own individual facts and circumstances.

Other issues

Shareholders would have been invited to provide the Company their Tax File Numbers (TFN) or Australian Business Number (ABN) when they first acquired their Shares. If no TFN or ABN has been quoted, tax will be deducted from gross distributions made by the Company in respect of the New Shares (or Additional New Shares) at the highest marginal tax rate (including the temporary budget repair levy) plus the Medicare levy.

4.11 UNDERWRITING, SUB-UNDERWRITING AND CONTROL IMPLICATIONS

Underwriting

On 25 November 2014, the Company entered into an underwriting agreement with Moelis (**Underwriting Agreement**), under which Moelis has agreed to manage and underwrite the Equity Raising. Moelis will be remunerated by the Company for providing these underwriting and offer management services at market rates and may be reimbursed for certain expenses.

In respect of the fees payable for its services, Moelis will receive an underwriting fee of up to 2.5% of the gross proceeds from the Institutional Entitlement Offer, the Retail Entitlement Offer and the Institutional Placement and an offer management fee of up to 1.25% of the gross proceeds from

the Institutional Entitlement Offer, the Retail Entitlement Offer and Institutional Placement. This means the amount of the underwriting fee may be approximately \$1.05 million and the amount of the offer management fee may be approximately \$525,000. Moelis is also entitled under the Underwriting Agreement to be reimbursed by the Company for certain costs incurred by Moelis in relation to the Equity Raising.

In accordance with the Underwriting Agreement and as is customary with these types of arrangements:

- the Company has (subject to certain usual limitations) agreed to indemnify Moelis, its related bodies corporate and affiliates, and its directors, officers, partners, advisers and employees against any losses arising directly or indirectly in connection with, among other things, the Equity Raising, the Equity Raising information materials distributed by the Company, or a breach by the Company of any provision, including representation or warranty of, the Underwriting Agreement;
- the Company and Moelis have given representations, warranties and undertakings in connection with (among other things) the conduct of the Equity Raising;
- Moelis may (in certain circumstances, including having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from its obligations under it on the occurrence of certain events prior to the Allotment of the New Shares offered under the Retail Entitlement Offer or at such other times specified in the Underwriting Agreement, including (but not limited to) where:
 - » in a material respect a statement contained in the Equity Raising information materials is or becomes misleading or deceptive or likely to mislead or deceive or the Equity Raising information materials omit any information

they are required to contain (having regard to the relevant Corporations Act requirements);

- » the Company ceases to be admitted to the official list of ASX or if the ASX announces that the Shares will be suspended from official quotation on ASX;
- » there is an adverse change to the financial markets or political or economic conditions of key countries, or to foreign exchange rates, and certain materiality thresholds are met;
- » the ASX/S&P 300 Index is 10% or more below its level as at the day immediately preceding the date of the Underwriting Agreement, and remains so for three consecutive trading days;
- » hostilities commence, or there is a major escalation of existing hostilities, involving certain key countries or a major terrorist act is perpetrated on any of those key countries, and the required materiality thresholds are met; or
- » there is a material adverse change, or event involving a prospective material adverse change, in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company.

Please note that the above is not an exhaustive list of the termination events in the Underwriting Agreement.

None of Moelis (whether in its capacity as Joint Lead Manager, or otherwise) nor any of its related bodies corporate and affiliates, nor any of their respective directors, officers, partners, employees, representatives or agents has authorised or caused the issue of this Retail Offer Booklet and takes no responsibility for any information in this Retail Offer Booklet or any action taken by you on the basis of such information, and have not made or purported to make any statement in this Retail Offer Booklet and there is no statement in this Retail Offer Booklet which is based on any statement by any of them. To the maximum extent

permitted by law, Moelis (whether in its capacity as Joint Lead Manager, or otherwise) and each of its related bodies corporate and affiliates and each of their respective directors, officers, partners, employees, representatives or agents excludes and disclaims all liability, for any expenses, losses, damages or costs incurred by you as a result of your participation in the Retail Entitlement Offer and the information in this Retail Offer Booklet being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise.

Sub-underwriting

Entities associated with Greg Paramor (Managing Director) and Mark Baillie (Non-Executive Director) have each agreed to sub-underwrite the Retail Entitlement Offer. Entities associated with Mr Paramor have agreed to sub-underwrite up to an amount of \$3.5 million and entities associated with Mr Baillie have agreed to sub-underwrite up to an amount of \$0.8 million. Entities associated with Mr Paramor will receive a sub-underwriting fee from Moelis of \$35,000 and entities associated with Mr Baillie will receive a sub-underwriting fee of \$8,000.

Control implications

The Retail Entitlement Offer and the Institutional Entitlement Offer are structured as a pro-rata issue and, if all of the Company's Existing Shareholders take up their entitlements under the Retail Entitlement Offer and the Institutional Entitlement Offer, will have no effect on the control of the Company.

The potential effect that the issue of the New Shares will have on the control of the Company, and the consequences of that effect, will depend on a number of factors including investor demand under the Retail Entitlement Offer and the Institutional Entitlement Offer, the amount of any Retail Entitlement Offer Shortfall and who subscribes for any Additional New Shares. The Company does not, however, expect the Retail Entitlement Offer and the Institutional Entitlement Offer to have any control implications for the Company.

Mr Greg Paramor, Managing Director of Folkestone, is a related party to the Company who currently owns approximately 9.9% of the Company's Existing Shares on issue prior to the Retail Entitlement Offer. Mr Paramor has provided a commitment to the Company that he will take up all of his Entitlements in relation to the Retail Entitlement Offer. Post the Equity Raising, assuming Mr Paramor subscribes for an additional \$3.5 million worth of New Shares pursuant to his sub-underwriting commitment, Mr Paramor will own approximately 11.2% of Company's Shares on issue.

4.12 INFORMATION AVAILABILITY

Eligible Retail Shareholders in Australia and New Zealand can obtain a copy of this Retail Offer Booklet during the Offer Period by calling the Folkestone Information Line on +61 3 8601 2668 between the hours of 8.30am and 5.00pm AEDT (excluding public holidays) during the Offer Period. Persons who access the electronic version of this Retail Offer Booklet should ensure that they download and read the information in this Retail Offer Booklet in its entirety. The electronic version of this Retail Offer Booklet on the Company's website will not include a personalised Entitlement and Acceptance Form.

A replacement Entitlement and Acceptance Form can be requested by calling the Folkestone Information Line during the Offer Period. Neither this Retail Offer Booklet nor the accompanying Entitlement and Acceptance Form may be distributed to or relied upon by, persons that are in the United States or otherwise distributed in the United States.

4. IMPORTANT INFORMATION CONT.

4.13 FORWARD-LOOKING STATEMENTS AND FUTURE PERFORMANCE

Neither the Company, either of the Joint Lead Managers, or any of their respective officers, employees, agents, associates or advisers, nor any other person, warrants or guarantees the future performance of the New Shares or Additional New Shares or any return on any investment made pursuant to the information in this Retail Offer Booklet. Forward-looking statements, opinions and estimates provided in the information in this Retail Offer Booklet are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Any forward-looking statements including projections, guidance on sales, earnings, dividends, distributions, and other estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors, including the risks described in the accompanying Investor Presentation, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward-looking statements in this Retail Offer Booklet.

4.14 PAST PERFORMANCE

Past performance and pro-forma historical financial information given in this Retail Offer Booklet is provided for illustrative purposes only and is not, and should not be relied upon as, an indication of future performance. The historical information in this Retail Offer Booklet is, or is based upon, information that has been released to the market. For further information, please see past announcements released to the ASX.

4.15 NOTICE TO NOMINEES AND CUSTODIANS

Nominees and custodians who hold Existing Shares as nominees or custodians will have received, or will shortly receive, a letter in respect of the Retail Entitlement Offer. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Retail Entitlement Offer is not available to Ineligible Shareholders.

4.16 DISCLAIMER OF REPRESENTATIONS

No person is authorised to give any information, or to make any representation, in connection with the Retail Entitlement Offer that is not contained in this Retail Offer Booklet. Any information or representation that is not in this Retail Offer Booklet may not be relied on as having been authorised by the Company, or its related bodies corporate, in connection with the Retail Entitlement Offer.

Except as required by law, and only to the extent so required, none of the Company, the Directors or any other person, warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this Retail Offer Booklet.

4.17 ASX CONFIRMATIONS

The Company has received the following confirmations from the ASX in relation to the Equity Raising which allow the company to:

- ignore changes in Shareholdings which occur after the announcement of the trading halt in Shares (other than registrations which were effected through ASX trade before the trading halt) for the purposes of determining the registered holders and registered holdings of Existing Shares as at the Record Date; and
- in respect of Shareholdings registered in the name of a nominee Shareholder, treat the nominee as a separate Shareholder in respect

of Shares held for one or more Shareholders to permit a nominee to receive offers under the Institutional Entitlement Offer and the Retail Entitlement Offer.

4.18 PRIVACY

As an Existing Shareholder in the Company, the Company and the Registry have already collected personal information about you. If you apply for New Shares, the Company and the Registry may update that personal information or collect additional personal information about you. Such information may be used to assess your acceptance of New Shares, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

To do that, the Company and the Registry may disclose your personal information for purposes related to your Shareholding to their agents, contractors or third party service providers to whom they outsource services, including to the Joint Lead Managers in order to assess your acceptance of New Shares, the Registry for ongoing administration of the register, printers and mailing houses for the purposes of preparation and distribution of Shareholder information and for handling of mail, or as otherwise authorised under the Privacy Act 1988 (Cth).

If you do not provide the Company or the Registry with your personal information then your Application may not be able to be processed. You can request access to your personal information by contacting the Company through the Registry as follows:

Boardroom (Victoria) Pty Limited
GPO Box 3993 Sydney NSW 2001

1300 737 760 (within Australia) or
+61 2 9290 9600 (from outside Australia)

between the hours of 9.00 am and 5.00 pm Monday to Friday (AEDT) (excluding public holidays) during the Offer Period.

The Company's Privacy Policy is available at: www.folkestone.com.au/about-us/corporate-governance/



Central Square, West Ryde, NSW – a development in the Folkestone West Ryde Development Fund

5. OVERVIEW OF FOLKESTONE

5.1. Folkestone



Elements, Truganina, VIC – a development in the Folkestone Truganina Development Fund

5.1. FOLKESTONE

Folkestone Limited is an ASX listed real estate funds manager and developer providing real estate wealth solutions to private clients and select institutions.

Folkestone pursues a diverse range of Australian real estate opportunities across investment types, capital structures and sectors.

Folkestone has two real estate businesses:

- funds management; and

- on-balance sheet “direct” investments.

Folkestone’s funds management platform offers real estate funds to private clients and select institutional investors across core, value-add and opportunistic real estate investments. Folkestone currently has approximately \$850 million in funds under management across listed and unlisted real estate funds. Folkestone’s on-balance sheet activities focus on value-add and opportunistic (development) investments.

Folkestone’s Board and senior management have extensive experience in real estate funds management, investment, development and a network of contacts within the Australian real estate industry that positions Folkestone with strong capabilities to source, manage and or develop, a diverse range of attractive investment opportunities.

5.1.1. Folkestone Limited’s Board

Folkestone Limited’s Board has a proven track record in funds management, real estate investment and development, finance, research and corporate governance.

Garry Sladden B.BUS, CPA, FINSA Chairman	Garry was appointed as Non-Executive Chairman of Folkestone in March 2011. Garry is a business and strategic adviser who has a diversified business background in the areas of real estate, private equity, business operations, banking and finance, and equity raising, having held the position of General Manager Operations at Consolidated Press Holdings for six years. Garry is Chairman of Ashton Manufacturing Pty Limited, Non-Executive Director of Melanoma Institute Australia and Non-Executive Chairman of Clarius Limited (ASX: CND).
Greg Paramor FAPI, FAICD, FRICS Managing Director	Greg was appointed as a Non-Executive Director of Folkestone Ltd in May 2010 and became Managing Director in April 2011 following the acquisition of Equity Real Estate Partners. Greg is a founding partner of Equity Real Estate Partners. Greg has been involved in the real estate and funds management industry for more than 40 years, and was the co-founder of Growth Equities Mutual, Paladin Australia and the James Fielding Group. Greg was the CEO of Mirvac between 2004 and 2008. Greg is a director of a number of not-for-profit organisations, including the Garvan Institute of Medical Research. Greg is also a board member of the Sydney Swans and the Chairman of LJ Hooker. Greg is also an adjunct professor of Bond University.
Mark Baillie B.Com, CA Deputy Chairman	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 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.
Ross Strang LLB (HONS), MAICD Non-Executive Director	Ross was appointed as a Non-Executive Director of Folkestone in March 2011. Ross is a consultant to Kemp Strang, a Sydney commercial law firm. Ross is one of Kemp Strang’s founders and was a partner in the practice for over 30 years. Ross 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.

5. OVERVIEW OF FOLKESTONE CONT.

5.1.2. Folkestone Executive Team

Nick Anagnostou B.Bus (Prop), AAPI, A Fin, CFM Chief Executive Officer, Social Infrastructure Funds	Nick joined Folkestone in September 2012 following Folkestone's acquisition of Austock's property business (Nick joined Austock in 2006). Nick is CEO of Folkestone's Social Infrastructure Funds business across three funds and approximately \$653 million. Nick is also the Fund Manager and executive board member for the ASX listed Folkestone Education Trust (ASX code: FET), and Fund Manager for the CIB Fund. Nick has more than 20 years of experience in the Australian commercial property and Funds Management industries. Nick holds a Bachelor of Business in Property and is an Associate of the Australian Property Institute and Finsia. He is a Certified Funds Manager, qualified property valuer and a Licensed Estate Agent and was previously a Director of an international real estate agency where focused on Premium and A-Grade office markets.
Travis Butcher BAcc, CA, Grad. Dip. AFI SIA Chief Financial Officer – Funds	Travis joined Folkestone in September 2012 following Folkestone's acquisition of Austock's property business (Travis joined Austock in 2006). Travis is the Chief Financial Officer – Funds across Folkestone's property funds. Travis has over 15 years financial experience in Australia and overseas including working in London as Financial Controller with Collier Capital a leading global investor in private equity secondaries and international group Apax Partners. Travis is a Chartered Accountant who began his career at PricewaterhouseCoopers specialising in transaction services and audit. Travis is a member of the Institute of Chartered Accountants and holds a Bachelor of Accounting from Monash University.
Ben Dodwell BA (I.D.), Grad. Dip. App. Fin. SIA, DIP PROP FIN, MAICD Head of Real Estate	Ben joined Equity Real Estate Partners in October 2010 and is now Head of Real Estate at Folkestone. Ben has held a number of senior executive roles at Stockland and Lend Lease where he has been responsible for the operations and profitability of development pipelines worth in excess of \$500 million. Throughout his 18 year career, Ben has been responsible for the development of traditional retail shopping centres, integrated mixed use, and urban renewal townhouse and apartments Projects. Ben has a Bachelor of Industrial Design, a Graduate Diploma of Applied Finance and Investment from the Financial Services Institute of Australasia and a Diploma of Property Finance from the Property Council of Australia. Ben is an Olympic, World Championship and Commonwealth medalist in the sport of rowing, a member of the Institute of Company Directors, a former Australia Day Ambassador and a passionate contributor to the training and development of Aboriginal Australians.
Adrian Harrington B.SC (HONS), FFINSA Head of Funds Management	Adrian joined Folkestone in April 2011 following the acquisition of Equity Real Estate Partners. Adrian was a founding partner of Equity Real Estate Partners. Adrian has more than 20 years of experience in the funds management and real estate industries. He was formerly CEO Funds Management, UK and USA for Mirvac Group. He previously held senior positions at James Fielding Group, Deutsche Asset Management, Paladin Australia and the Property Council of Australia. Adrian is a Fellow of the Financial Services Institute of Australasia. Adrian has a Bachelor of Science (Hons) from the University of New South Wales and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia.
Scott Martin B.Com, CA Chief Financial Officer & Company Secretary	Scott joined Folkestone in December 2005 and has held the position of Chief Financial Officer and Company Secretary since this time. Scott has over 16 years' experience in finance, specialising in the property and construction industries having previously held positions at R.Corporation and Higgins Coatings. Scott is a Chartered Accountant who began his career at Deloitte providing specialist accounting and taxation advice to a variety of clients in a broad range of sectors. Scott is a member of the Institute of Chartered Accountants and holds a Bachelor of Commerce from the University of Melbourne.
Mark Stewien LL.B, B.Com, (Finance) General Counsel	Mark joined Folkestone in September 2012 following Folkestone's acquisition of Austock's property business (Mark joined Austock in 2009). Mark is General Counsel at Folkestone. Mark has over 13 years' experience in corporate and real estate law in Australia and overseas including serving in-house at Nakheel in Dubai and in private legal practice at Baker & McKenzie. Mark holds a Bachelor of Laws and Bachelor of Commence from Deakin University.

6. GLOSSARY



Tivoli Apartments, VIC – developed by the Tivoli Development Fund

6. GLOSSARY CONT.

\$ or A\$ or cents	Australian currency.
Additional New Shares	Shares offered on the basis of, and under the terms of, the Retail Entitlement Offer in addition to the Entitlement of an Applicant to the extent there is any Retail Entitlement Offer Shortfall, subject to a limit of \$100,000 worth of Additional New Shares and subject to scale back by the Company in its absolute discretion.
AEDT	Australian Eastern Daylight Time.
AFSL	Australian Financial Services Licence.
Allotment	The allocation of New Shares following acceptance of an Application.
Applicant/s	Eligible Retail Shareholders who submit a valid Application pursuant to the conditions set out in this Retail Offer Booklet.
Application	An application made by an Applicant for New Shares using an Entitlement and Acceptance Form.
Application Monies	Monies received from an Applicant.
A-REIT	Australian Real Estate Investment Trust.
ASIC	Australian Securities & Investments Commission (ABN 86 768 265 615).
ASX	ASX Limited (ABN 98 008 624 691) or the market operated by it as the context requires.
ASX Listing Rules	The official listing rules of the ASX from time to time as modified by any express written confirmation, waiver or exemption given by ASX.
Board	The board of Directors of Folkestone.
CGT	Capital Gains Tax.
Company	Folkestone Limited (ACN 004 715 226).
Corporations Act	Corporations Act 2001 (Cth).
CRN	Customer Reference Number.
Director/s	A director of the Company.
Eligible Retail Shareholders	An Existing Shareholder with an Australian or New Zealand registered address as at 7.00pm (AEDT) on the Record Date and which otherwise meets the criteria set out in Section 4.2.
Entitlement and Acceptance Form	A personalised acceptance form accompanying this Retail Offer Booklet which Eligible Retail Shareholders may use to apply for New Shares and Additional New Shares.
Entitlement(s)	The entitlement of an Eligible Retail Shareholder to take up a certain number of New Shares pursuant to the Retail Entitlement Offer based on the number of Existing Shares held on the Record Date.
Entitlement Offer	The Institutional Entitlement Offer and the Retail Entitlement Offer.
Equity Raising	Raising of new equity up to \$42 million comprising an Institutional Placement, the Institutional Entitlement and the Retail Entitlement Offer.
Excess Amount	The amount paid by an Eligible Retail Shareholder in excess of the amount necessary to pay in full for their full Entitlement.
Existing Shareholders	Any registered holder of Shares.
Existing Shares	Shares on issue as at the Record Date.
FET	Folkestone Education Trust (ARSN 102 955 939).
Folkestone	The listed public company Folkestone Limited (ACN 004 715 226).
FST	Folkestone Social Infrastructure Trust (ARSN 094 614 874).
GST	Goods and services tax (Australia).
HIN	Holder Identification Number.
Ineligible Shareholder(s)	A Shareholder who the Company determines is not an Eligible Retail Shareholder.
Institutional Entitlement Offer	The accelerated non-renounceable entitlement offer to Institutional Investors at the Offer Price as announced to the ASX on 24 November 2014.
Institutional Investor	An investor (Australian and/or non-Australian) to whom offers or invitations to subscribe for securities can be made without the need for a prospectus or product disclosure statement.
Institutional Placement	The placement of New Shares at the Offer Price to Institutional Investors announced to the ASX on 24 November 2014.

Investor Presentation	The investor presentation relating to the Institutional Entitlement Offer and the Institutional Placement, which was released to the ASX by the Company on 24 November 2014 and is included in this Retail Offer Booklet at Section 3.
Joint Lead Managers	BG Capital Corporation Limited (ABN 36 094 694 694) and Moelis.
Moelis	Moelis Australia Advisory Pty. Ltd. (ABN 72 142 008 446), being the sole underwriter and book runner and a joint lead manager of the Equity Raising.
New Shares	Shares offered on the basis of, and under the terms of, the Entitlement Offer.
NAV	Net Asset Value.
Offer Period	The period from 2 December 2014 to 11 December 2014, unless extended by the Company.
Offer Price	\$0.20 per New Share.
p.a.	Per annum.
Record Date	7pm (AEDT) Thursday 27 November 2014.
Registry	Boardroom (Victoria) Pty Limited (ABN 14 003 209 836).
Retail Entitlement Offer	The offer New Shares available to Eligible Retail Shareholders as described in this Retail Offer Booklet.
Retail Entitlement Offer Shortfall	The aggregate number of New Shares available to each Eligible Retail Shareholder as part of its Entitlement under the Retail Entitlement Offer which are not taken up by the relevant Eligible Retail Shareholder.
Retail Offer Booklet	This document, the Retail Entitlement Offer Booklet dated 2 December 2014.
Securities Act	United States Securities Act of 1933, as amended.
Share(s)	An ordinary share in the capital of the Company.
Shareholder(s)	The holder of a Share.
Sqm	Square metres.
SRN	Securityholder reference number.
U.S. Person	As defined in Regulation S under the Securities Act.
Underwriter	Moelis.
Underwriting Agreement	The underwriting agreement referred to in Section 4.11.
US	United States.
VWAP	Volume Weighted Average Price.

DIRECTORY

FOLKESTONE LIMITED

ABN 21 004 715 226
ASX Code: FLK

RESPONSIBLE ENTITIES

**Folkestone Real Estate
Management Limited**
ABN 29 094 185 092 AFSL 238506

**Folkestone Investment
Management Limited**
ABN 46 111 338 937 AFSL 281544

**Folkestone Funds
Management Limited**
ABN 99 138 125 881 AFSL 340990

**Folkestone Maxim
Asset Management**
ABN 25 104 512 978 AFSL 238349

YOUR SECURITY HOLDING

Investors can view and manage their holdings online. It's an effective and convenient way to access your investment details. Please visit www.investorserve.com.au

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Sydney NSW 2000
Ph: +61 2 8667 2800

MELBOURNE OFFICE

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Melbourne VIC 3000
Ph: + 61 3 8601 2092

REGISTRY

Boardroom Limited
Level 7, 207 Kent Street,
Sydney NSW 2000
Ph: +61 2 9290 9600

FURTHER INFORMATION

For more information about Folkestone including our latest financial information, announcements, news and corporate governance, visit our website at www.folkestone.com.au

Details of a 1 for 4 non-renounceable pro-rata entitlement offer of new fully paid ordinary Folkestone Shares at a price of \$0.20 per New Share to raise approximately \$13.2 million. The Retail Entitlement Offer closes at 5.00pm AEDT on Thursday 11 December 2014 (unless extended). Valid Applications must be received before that time.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

THIS IS AN IMPORTANT DOCUMENT WHICH IS ACCOMPANIED BY A PERSONALISED ENTITLEMENT AND ACCEPTANCE FORM AND BOTH SHOULD BE READ IN THEIR ENTIRETY. PLEASE CALL YOUR STOCKBROKER, ACCOUNTANT, FINANCIAL ADVISER, TAXATION ADVISER OR OTHER INDEPENDENT PROFESSIONAL ADVISER OR THE FOLKESTONE OFFER INFORMATION LINE ON +61 3 8601 2668 IF YOU HAVE ANY QUESTIONS.

This Retail Entitlement Offer Booklet is issued by Folkestone Limited ACN 004 715 226.