

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

- 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

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

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:

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About Folkestone

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