



28 August 2017

NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

Dear Shareholder

FUNTASTIC LIMITED A\$8.2 MILLION PRO RATA RENOUNCEABLE ENTITLEMENT OFFER - NOTIFICATION TO ELIGIBLE SHAREHOLDERS

On Wednesday, 23 August 2017, Funtastic Limited (**Funtastic**) announced a 11 for 5 pro rata renounceable entitlement offer of new Funtastic shares (**New Shares**) at an offer price of A\$0.005 per New Share (**Offer Price**) to raise approximately A\$8.2 million (**Entitlement Offer**), of which \$8 million has been underwritten.

This letter is to inform you that you are an eligible shareholder (as described below, **Eligible Shareholders**) for the purposes of the Entitlement Offer.

The Entitlement Offer

The Entitlement Offer comprises an offer to Eligible Shareholders to participate at the Offer Price. The Entitlement Offer is being made by Funtastic without a disclosure document in accordance with section 708AA of the *Corporations Act 2001* (Cth) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84).

Rationale for the Entitlement Offer

The key reason for the Entitlement Offer is to strengthen Funtastic's balance sheet, with the proceeds being applied towards repayment of short term debt funding and the provision of additional working capital for the Company.

The Capital Raising, together with the restructuring of Funtastic's debt arrangements, will result in a more appropriate and sustainable capital structure for the Company and will provide it with the balance sheet strength and flexibility to pursue new growth opportunities as well as enhance its position with customers and suppliers.

Further details regarding Entitlement Offer

As an Eligible Shareholder, you will be able to subscribe for 11 New Shares for every 5 existing Funtastic ordinary shares held on the record date (**Entitlement**), being 7.00pm (Melbourne time) on Tuesday, 29 August 2017 (**Record Date**). New Shares issued under the Entitlement Offer will rank equally with existing Funtastic ordinary shares in all respects. Fractional entitlements will be rounded up to the nearest whole number of shares.

Following completion of the Entitlement Offer, Funtastic will have issued approximately 1,671 million New Shares resulting in a total of approximately 2,431 million Funtastic shares on issue.

A group of institutional and sophisticated investors (including a number of existing shareholders) (**Underwriters**) are underwriting \$8 million of the Entitlement Offer as more fully described in the investor presentation released to the ASX on Wednesday, 23 August 2017. The Underwriters that are also shareholders have provided an irrevocable commitment to participate in their pro rata share of the Entitlement Offer.



The Offer is supported by interests associated with Funtastic Directors Shane Tanner, Stephen Heath and Grant Mackenzie, who have each undertaken to exercise their Entitlements in full and have also agreed to underwrite a combined amount of \$1.1 million.

Eligible Shareholders

Eligible Shareholders are those persons who:

- are registered as a holder of shares as at the Record Date;
- have a registered address on the Funtastic share register 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; and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

Shareholders who are not Eligible Shareholders are Ineligible Shareholders.

Offer Booklet

This letter is not an offer document but rather an advance notice of some key terms and conditions of the Entitlement Offer. Full details of the Entitlement Offer are set out in an offer booklet (**Offer Booklet**), copies of which will be available on the ASX website www.asx.com.au and Funtastic's website at <https://www.funtastic.com.au> from Friday, 1 September 2017.

Eligible Shareholders will be mailed an Offer Booklet, together with a personalised Entitlement and Acceptance Form which contains details of your Entitlement, on or around Friday, 1 September 2017. You should read the Offer Booklet carefully before deciding whether to participate in the Entitlement Offer.

Action required by Eligible Shareholders

Entitlements may have value and it is important that Eligible Shareholders determine whether to take up in whole or part, sell or transfer, or do nothing, in respect of their Entitlement. If you do not wish to take up your Entitlement, you may sell all or part of your Entitlement on ASX from Monday, 28th August 2017 to 4.00pm on Tuesday, 5 September 2017, or transfer all or part of your Entitlement directly to another person.

If you choose to do nothing in respect of all or a part of your Entitlement, part or all (as applicable) of your Entitlement will lapse and you will receive no benefit.

Shareholders should note the price at which Entitlements will trade on ASX will depend upon the supply of and demand for Entitlements during the trading period and may not equate to the theoretical ex-rights price. There is a risk that a market for the Entitlements may not develop and shareholders may not be able to achieve a sale of their Entitlements on the ASX.

The assignment, transfer and exercise of Entitlements trading on ASX will be restricted to persons meeting eligibility criteria. In particular, persons in the United States and persons acting for the account or benefit of persons in the United States will not be eligible to purchase or trade Entitlements or to exercise Entitlements they acquire. If you buy Entitlements during the trading period, but you do not meet the eligibility criteria, you will not be able to take up or exercise those Entitlements and, as a result, you may receive no value for them.

The tax consequences from taking up your Entitlement, selling or transferring your Entitlement or from doing nothing may be different. Before taking up your Entitlement, selling or transferring your Entitlement or choosing to do nothing in respect of your Entitlement, you should seek your own tax advice (and you may wish to refer to the tax disclosures contained in the Offer Booklet which will provide information on potential implications for Australian shareholders).

Further information in relation to the Entitlement Offer has been disclosed on ASX.



Key Dates for Eligible Shareholders

Announcement of the Entitlement Offer	Wednesday, 23 August 2017
Ex-date and Entitlement Trading period commences	Monday, 28 August 2017
Entitlement Offer Record Date (7:00pm Melbourne time)	Tuesday, 29 August 2017
Entitlement Offer opens	Friday, 1 September 2017
Offer Booklet dispatched	Friday, 1 September 2017
Entitlement Trading Period closes (4:00pm Melbourne Time)	Tuesday, 5 September 2017
Entitlement Offer closes (5:00pm Melbourne time)	Tuesday, 12 September 2017
Allotment of the New Shares under the Entitlement Offer	Tuesday, 19 September 2017
New Shares under the Entitlement Offer commence trading on ASX	Wednesday, 20 September 2017

The timetable above is indicative only and may be subject to change without notice. Funtastic, with the consent of the underwriters of the Entitlement Offer in certain situations, reserves the right, subject to the *Corporations Act 2001* (Cth) (**Corporations Act**), ASX Listing Rules and other applicable laws to amend or vary any or all of the dates and times without notice. In particular, Funtastic reserves the right to extend the closing date of the Entitlement Offer, accept late applications (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. The commencement of quotation of New Shares is subject to confirmation from ASX.

Shareholder enquiries

If you have any questions, please call the Funtastic Offer Information Line on 1300 767 760 (within Australia) or +61 2 9290 9600 (from outside Australia) between 8:30am and 5:30pm (Melbourne time) Monday to Friday during the Entitlement Offer Period, or consult your stockbroker, lawyer, accountant, financial adviser or other independent professional adviser.

The Funtastic Board is pleased to offer this opportunity to you.

Yours faithfully

Shane Tanner
Chairman
Funtastic Limited

Important Information

This notice does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any person acting for the account or benefit of any person in the United States, or in any other jurisdiction in which such an offer would be illegal. No action has been or will be taken to register, qualify or otherwise permit an offering of the New Shares in any jurisdiction outside Australia or New Zealand. In particular, neither the Entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933 (the **Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be taken up by, and the New Shares may not be offered, sold or resold to, persons in the United States or to persons who are acting for the account or benefit of a person in the United States, unless such Entitlements or New Shares have been registered under the Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

The provision of this document is not, and should not be considered as, financial product advice. The information in this document is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Before acting on the information, you should consider the appropriateness of the information, having regard to your objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your accountant, lawyer, tax adviser, stockbroker, financial adviser or other professional advisor.