



28 August 2017

Dear Shareholder

RENOUNCEABLE ENTITLEMENT OFFER - NOTIFICATION TO INELIGIBLE 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 from eligible shareholders (**Entitlement Offer**), of which \$8 million has been underwritten.

The Entitlement Offer is an offer to eligible shareholders (as described below, **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).

An offer booklet in relation to the Entitlement Offer will be lodged with the ASX and mailed to Eligible Shareholders (as defined below) on or around Friday, 1 September 2017.

This is a letter to inform you that you are not an Eligible Shareholder for the purposes of the Entitlement Offer. This letter is not an offer to issue New Shares to you, nor an invitation to apply for New Shares. You are not required to do anything in response to this letter. However, you may still receive some benefit from the Entitlement Offer, as described below.

Eligible Shareholders

Eligible Shareholders are those persons who:

- are registered as a holder of shares as at the record date, being 7.00pm (Melbourne time) on Tuesday, 29 August 2017;
- 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.

Funtastic has determined, pursuant to section 9A of the Corporations Act and ASX Listing Rule 7.7.1(a), that it would be unreasonable to make offers to shareholders in all countries outside Australia or New Zealand in connection with the Entitlement Offer. This is due to the legal and regulatory requirements in countries other than Australia or New Zealand and the potential costs to Funtastic of complying with these requirements, compared with the relatively small number of shareholders in those countries, the relatively small number of existing Funtastic ordinary shares they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled to subscribe for.

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Shareholder as stated above. Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3) of the Corporations Act, Funtastic wishes to advise you that it will not be extending the Entitlement Offer to you and you will not be able to subscribe for New Shares under the Entitlement Offer. You will not be sent the

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documents relating to the Entitlement Offer or be able to subscribe for New Shares under the Entitlement Offer.

Treatment of ineligible shareholders' entitlements

Shareholders who are not Eligible Shareholders are not entitled participate in the Entitlement Offer, or to trade or exercise their entitlement to be issued New Shares (**Entitlements**). As the Entitlement Offer is renounceable, Funtastic has arranged for the Entitlements of Ineligible Shareholders to be offered for sale on the ASX by a nominee. The nominee will have the absolute and sole discretion to determine the timing and price at which the Entitlements may be sold and the manner of any such sale. The nominee will be paid \$5,000 plus GST in relation to the sale of all of the Entitlements. Any interest earned on the proceeds of the sale of these Entitlements will firstly be applied against expenses of such sale, including brokerage, and any balance will accrue to Ineligible Shareholders. The net proceeds of the sale of these Entitlements will then be forwarded by the Company as soon as practicable to the Ineligible Shareholders, in proportion to their share of such Entitlements (after deducting brokerage commission and other expenses). If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company.

Ineligible Shareholders may receive no net proceeds if the costs of the sale are greater than the sale proceeds. There is no guarantee that the nominee will be able to sell Entitlements of Ineligible Shareholders on ASX and Ineligible Shareholders may receive no value for the Entitlements. Both the Company and the nominee take no responsibility for the outcome of the sale of such Entitlements or the failure to sell such Entitlements.

Any proceeds received by you may have Australian and overseas tax consequences, depending on your individual circumstances. You should seek professional tax advice regarding the taxation of any proceeds received.

Entitlements under the Entitlement Offer will also be tradeable on 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.

You are not required to do anything in response to this letter.

If you have any questions in relation to any of the above matters, please contact the Funtastic Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (from outside Australia) between 8:30am and 8:30pm (Melbourne time) Monday to Friday during the Entitlement Offer Period, or consult your stockbroker, lawyer, accountant, financial adviser or other independent professional adviser.

On behalf of Funtastic, we regret that you are not eligible to participate in the Entitlement Offer and thank you for your continued support.

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.