



funtastic
LIMITED

23 November 2020

Australian Securities Exchange
Rialto Tower
525 Collins Street
MELBOURNE VIC 3000

Cleansing Prospectus

The Board of Funtastic Limited (ASX: FUN) ("**Funtastic**" or the "**Company**") advises that the Company has lodged with ASIC today a cleansing prospectus in respect of a proposed offer of up to 100 Shares at an issue price of \$0.112 per Share to raise up to \$11.20 (before expenses) (**Cleansing Offer** or **Issue**). The primary purpose of the Cleansing Offer is to remove any secondary trading restrictions on the onsale of Shares issued by the Company prior to the closing date of the Cleansing Offer.

A copy of the Cleansing Prospectus is attached.

This announcement is authorised for release by the Board of Directors.

Howard Abbey
Company Secretary

About Funtastic Limited

Funtastic Limited (ASX: FUN) is an Australian-based listed company which operates in the Outdoor Lifestyle, Family Safety and Education, Fun Lifestyle and Confectionery markets, principally aimed at families with kids. In addition to distributing leading products throughout Australia for its key partners, Funtastic also owns a number of its own products and distributes these globally. Further information is available at www.funtastic.com.au

About Hobby Warehouse Group

Hobby Warehouse is an independent, Australian-owned company established in 2011 with a mission to enrich the lives of people by encouraging exploration, creativity and living life more fully through the enjoyment of hobbies. It is headquartered in Dandenong in Australia. Further information is available at www.hobbywarehouse.com.au



FUNTASTIC LIMITED
ACN 063 886 199

PROSPECTUS

For the offer of 100 New Shares at an issue price of \$0.112 per New Share.

This Prospectus has been prepared for the purposes of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of the Shares issued by the Company prior to the Closing Date without disclosure under Part 6D of the Corporations Act.

Important notice

This document is important and should be read in its entirety (including the 'Risk factors' in Section 4) before deciding whether to apply for New Shares. If after reading this Prospectus you have any questions about the New Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

An investment in the securities offered by this Prospectus should be considered as speculative.

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Important information

You should read this entire Prospectus carefully. It is important that you consider the risk factors (see Section 4) that could affect the Company's financial performance, before deciding on your course of action.

This Prospectus is dated 23 November 2020. A copy of this Prospectus was lodged with the ASIC on that date.

ASIC, ASX and their officers, respectively, take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The Offer is not available to the general public and is only available to those persons to who are personally invited by the Company to accept the Offer. The Company will provide an Application Form to those persons only.

This Prospectus does not constitute an offer in any place in which or to any person to whom it would not be lawful to make such an offer. Applications for New Shares offered pursuant to this Prospectus can only be submitted on an original Application Form which will be provided by the Company with this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

Applicants should rely on their own knowledge of the Company, refer to disclosures made by the Company to the ASX and consult their professional advisers before deciding whether to accept the Offer. Announcements made by the Company to ASX are available from the ASX website at <http://www.asx.com.au/>. The information in this Prospectus does not constitute a securities recommendation or financial product advice.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

This Prospectus (including each of the documents attached to it and which form part of this Prospectus) is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser.

In particular, it is important that you consider the risk factors in Section 4 that could affect the performance of the Company before making an investment decision.

Foreign jurisdictions

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore, persons in such jurisdictions who come into possession of this document should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

No action has been taken to register or qualify the New Shares or the Offer, or to otherwise permit a public offering of the New Shares in any jurisdiction outside Australia. This Prospectus has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act of 1933 (**US Securities Act**) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

Forward-looking statements

This Prospectus may contain forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, and its Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause actual results to differ materially from the results expressed or anticipated in these statements. For more information, refer to Section 4.

Investment advice

This Prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Shares under this Prospectus.

Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult with your broker or legal, financial or other professional adviser without delay.

Should you have any questions about the Offer or how to accept the Offer please contact the Company Secretary at legal@funtastic.com.au.

Definitions

Terms used in this Prospectus are defined in the Glossary in Section 7.

Time

Unless otherwise stated or implied, references to times in this Prospectus are to the time in Melbourne, Victoria, Australia.

Currency

References to "\$", "A\$", "AUD", or "dollar" are references to Australian currency, unless otherwise stated.

Key Dates

Event	Date
Lodgement of Prospectus (Lodgement Date)	23 November 2020
Opening Date	10:00am on 25 November 2020
Closing Date	5:00pm on 1 December 2020

Subject to the Corporations Act, ASX Listing Rules and other applicable laws, the Company reserves the right, to vary any or all of the dates and times of the Offer without prior notice, including extending the Closing Date or accepting late applications, either generally or in particular cases, or to withdraw the Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the issue date of Shares under the Offer.

The commencement of quotation of Shares under the Offer is subject to confirmation from ASX.

1 Details of the Offer

1.1 *Overview and background to the Offer*

Under this Prospectus, Funtastic Limited (**Company**) is offering the opportunity to subscribe for up to 100 new ordinary shares in the capital of the Company (**New Shares**) at a price of \$0.112 per New Share (**Offer**) to raise \$11.20 (before the costs of the Offer).

The Offer is being extended to unrelated parties who are invited by the Company to subscribe for New Shares and is not open to the general public. Application Forms will only be provided to those parties.

All of the New Shares issued under the Offer will be fully paid ordinary shares in the capital of the Company. New Shares offered under the Offer will rank equally in all respects with existing Shares on issue as at the Lodgement Date. A summary of the rights and liabilities attaching to the Shares is set out in Section 3.

1.2 *Purpose of the Offer and its objectives*

The Company is seeking to raise only a nominal amount of \$11.20 under this Prospectus and, accordingly, the purpose of this Prospectus is not to raise capital.

The Company will issue certain Shares pursuant to the Transactions described below. The Company wishes to ensure that any Shares issued in connection with the Transactions or otherwise issued prior to the Closing Date are not subject to the secondary sale restrictions in the Corporations Act.

As its Shares have been suspended from trading on ASX for more than five days in the last 12 months, the Company is presently unable to issue a cleansing notice under section 708A of the Corporations Act.

Accordingly, the purpose of this Prospectus is to facilitate secondary trading of any Shares that may be issued by the Company before the Closing Date, which is currently expected to be 5:00pm (Melbourne time) on 1 December 2020.

1.3 *The Transactions*

On 23 October 2020, the Company announced that it had entered into a series of important transactions (**Transactions**) as follows:

(a) **Acquisition of HWG and issue of Shares**

An acquisition of all of the issued share capital of Mittoni Pty Ltd, Hobby Warehouse Pty Ltd and Toys R Us Licensee Pty Ltd (**Hobby Warehouse Group** or **HWG**) (**Acquisition**) pursuant to a Share Sale Deed (**SSD**) under which the Company agreed to acquire Hobby Warehouse Group and in return for that acquisition, the Company agreed to issue 291,205,818 Shares (**Consideration Shares**) to nominees of the holders of the issued shares of HWG.

(b) **Placement**

A fully underwritten placement of 258,928,571 Shares (**Placement Shares**) at \$0.112 per Share to sophisticated investors to raise approximately \$29 million (**Placement**).

Canaccord Genuity (Australia) Limited (the **Underwriter**) has successfully entered into agreements in connection with the Placement for the entire amount to be raised under the Placement.

(c) **Repayment of the indebtedness**

A Loan Conversion and Repayment Agreement (**Conversion and Repayment Agreement**) under which the Company agreed to:

- (i) issue 53,571,429 Shares (**Conversion Shares**) to Jaszac Investments Pty Ltd (**Jaszac**) at \$0.112 per Share in return for Jaszac releasing the Company from \$6 million of the outstanding indebtedness of the Company under or in connection with Loan Agreement between the Company and Jaszac; and
- (ii) repay the balance of the outstanding indebtedness under the Loan Agreement (being approximately \$3 million) in cash using funds raised by the Placement.)

(d) **TRUK Licence Agreement**

An agreement with TRUK to amend the Licence Agreement under which HWG licences the rights relating to www.toysrus.com.au and www.babiesrus.com.au, with the taking effect of those changes being subject to completion occurring under the SSD.

In consideration for TRUK's entry into the Amended Licence Agreement, the Company agreed to issue 1,223,092 Shares (**TRUK Shares**) to TRUK.

The Transactions were subject to the passing of various resolutions in respect of the Transactions at the Company's 2020 AGM (**Transaction Resolutions**). Each of the Transaction Resolutions were approved by Shareholders on 23 November 2020.

Completion under each of the Transactions (**Completion**) and, relevantly, the issue of the Placement Shares, the Conversion Shares, Consideration Shares and TRUK Shares (together the **Transaction Shares**) will occur prior to the Closing Date of the Offer.

All Transaction Shares will be issued to "Sophisticated Investors" or "Professional Investors" within the meaning of sections 708(8) and 708(11) of the Corporations Act.

In addition, separately from the Transactions, prior to the Closing Date, the Company will issue 454,545 Shares (**Abbey Shares**) to Mr Howard Abbey in relation to his remuneration and incentive package for the 2019 financial year, who is a senior manager of the Company within the meaning of section 708(12) of the Corporation Act.

The primary purpose of this Prospectus is to remove any secondary trading restrictions that would otherwise attach to the Transaction Shares and any other Shares issued by the Company before the Closing Date.

By the Company complying with section 708A(11) of the Corporations Act, the investors who receive any Transaction Shares or any other Shares issued by the Company prior to the Closing Date can on-sell those Shares within the next 12 months without the issue of a prospectus or other disclosure document.

1.4 **Issued Shares**

If securities are issued to an investor without a disclosure document then the on-sale of those securities is generally restricted pursuant to the Corporations Act, unless an exemption applies

(such as those under section 708A of the Corporations Act). If the Company does not fall within one of these exemptions, any securities issued to an exempt investor in accordance with section 708 of the Corporations Act may be restricted from on-sale for the first 12 months from the date of issue unless the investor (to whom the securities may be on-sold) also falls within one of the exemptions.

As the Company's Shares have been suspended from trading on ASX for more than 5 days during the 12 months preceding the Lodgement Date, the Company is precluded from relying on lodging a cleansing notice under section 708A(5) of the Corporations Act to remove any such trading restrictions which would otherwise apply in respect of the Transaction Shares or any other Shares issued by the Company prior to the Closing Date.

However, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure (and therefore would be exempt from the on-sale provisions) if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body;
- (b) either:
 - (i) a prospectus is lodged with the ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

In light of the above, this Prospectus has been lodged prior to the issue of the Transaction Shares and the Abbey Shares by the Company. The offer of New Shares under this Prospectus will still be open for acceptances at the time the Transaction Shares and the Abbey Shares are issued. Accordingly, upon issue, the Transaction Shares and the Abbey Shares (and any other Shares issued by the Company prior to the Closing Date) will be exempt from the on-sale provisions (see paragraph (b)(ii) above).

2 Effect of the Offer

2.1 Use of proceeds

The Company is seeking to raise an amount of \$11.20 (before the costs of the Offer) under this Prospectus and, accordingly, the purpose of this Prospectus is not to raise capital.

All expenses of the Offer will be met from the funds raised by the Offer and the Company's existing cash reserves (including the proceeds of the Placement). Refer to Section 6.17 of this Prospectus for further details relating to the estimated expenses of the Offer.

2.2 Capital structure as at the Lodgement Date, at Completion of the Transactions and immediately after the Offer

The following table shows the capital structure of the Company on the Lodgement Date, at completion of the Transactions and at completion of the Offer.

Type of securities	Lodgement Date ¹	At Completion of the Transactions ²	Completion of the Offer
Shares ^{3, 4}	240,404,075	845,787,530	845,787,630
Options	NIL	10,149,450	10,149,450
SARs	480,000	480,000	480,000
Deferred Share Awards	NIL	Deferred Share Awards with a grant value of \$20,000	Deferred Share Awards with a grant value of \$20,000

Notes:

1. The capital structure on the Lodgement Date refers to capital structure immediately after the 2020 AGM and includes the grant of the "Tranche 1" SARs to Ms Anderson and Mr Tripodi on 23 November 2020 as approved at the 2020 AGM. For more information, see the Notice of Meeting for the 2020 AGM dated 23 October 2020 (**Notice of Meeting**).
2. This includes the issue of the Transaction Shares, the Abbey Shares and the issue of the "Tranche 1" Options to Mr Mittoni and Mr Moore as approved at the 2020 AGM. For more information, see the Notice of Meeting.
3. The number of Shares at Completion of the Transactions and completion of the Offer does not include the Shares to be issued to Mr Moore on the vesting of the "Tranche 1" Deferred Share Awards with a grant value of \$20,000 as the number of Shares to be issued will depend on the market price of Shares on the date of Completion. For more information, see the Notice of Meeting.
4. The rights and liabilities attaching to the Shares are summarised in Section 3.

If all of the New Shares are issued, the number of Shares on issue will increase by 100 from 845,787,530 to 845,787,630. The Offer will not have an effect on the Company's other securities on issue.

2.3 Financial effect of the Offer

After expenses of the Offer of approximately \$23,206, there will be no proceeds from the Offer. The expenses of the Offer (exceeding \$11.20) will be met from the Company's cash reserves and funds raised under the Placement.

As such, the Offer will have an effect on the Company's financial position, being receipt of funds of \$11.20 less costs of preparing the Prospectus of approximately \$23,206.

2.4 Effect on Control

Given the nominal amount raised under the Offer, the New Shares issued under the Offer will not have a material impact upon the Control of the Company.

2.5 Dilution risk

Given the nominal amount raised under the Offer, there will be minimal dilution impact to existing Shareholders. Each Shareholder's voting power in the Company will be diluted by a negligible amount.

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3 Rights and liabilities attaching to Shares

The New Shares will be of the same class and will, once issued, rank equally in all respects with the existing Shares. The rights and liabilities attached the New Shares are identical in all respects to the terms of all existing Shares.

The following is a summary of the more significant rights and liabilities attaching to Shares in the Company including the New Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

3.1 *General meeting*

Shareholders are entitled to be present in person (which includes attendance in a virtual or hybrid meeting), or by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

3.2 *Voting rights*

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of Shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by them, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

If a person present at a general meeting represents personally or by proxy, attorney or representative more than one Shareholder, on a show of hands the person is entitled to one vote only, even though he or she represents more than one Shareholder.

3.3 *Dividends and interim dividends*

The Directors may pay any interim and final dividends.

3.4 *Dividend reinvestment plan*

Subject to the ASX Listing Rules and the Corporations Act, the Directors of the Company may on terms they decide, implement a dividend reinvestment plan. No such plan exists as at the date of this Prospectus.

3.5 Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution of Shareholders, divide among the Shareholders the whole or any part of the property of the Company and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

3.6 Shareholder liability to forfeiture of Shares

As the New Shares under the Prospectus are fully paid ordinary shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

3.7 Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

3.8 Future increase in capital

Subject to the Constitution, the Directors may issue new Shares and preference shares from time to time.

There is a non-dilution clause in the SSD under which the Company has undertaken not to issue new Shares until after 31 July 2021 (other than where the Directors consider it would be consistent their duties as Directors to issue Shares, the issue is made under the Company's placement capacity under ASX Listing Rules 7.1 and 7.1A or the issue is made under the Company's Employee Incentive Plan).

3.9 Variation of rights

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

3.10 Alteration of Constitution

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution at a general meeting passed by at least three quarters of votes validly cast for Shares at the general meeting. In addition, at least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

4 Risk factors

4.1 Introduction

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risk factors can impact the value of an investment in the New Shares being offered under this Prospectus. The New Shares comprise a speculative investment.

The Company aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Company can effectively manage them is limited.

Based on the information available as at the date of this Prospectus, set out below is a list of specific risks relating to an investment in New Shares. These risks are the specific risks that the Company is exposed to or will be exposed to on completion of the Acquisition of HWG. References to “the Group” in this Section include HWG, which will be a subsidiary of the Company after completion of the Transactions and at the time the New Shares are issued.

The summary of risks that follows is not intended to be exhaustive and this Prospectus does not take into account the personal circumstances, financial position or investment requirements of any particular person. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the Company and their related entities.

Every investor should:

- (a) rely on their own knowledge of the Company;
- (b) refer to disclosures made by the Company on ASX; and
- (c) consult their professional advisers before deciding whether to apply for New Shares under the Offer.

4.2 Risks specific to the Company's business

An investment in Shares involves a high degree of risk. This section sets out the key risks which are specific to the Company's business. You should carefully read the following risks, along with the other information included in this Prospectus. If any of the following risks occurs, the Company's business, results of operations, financial condition, and cash flow could be materially impaired. The price of Shares could decline due to any of these risks, and you could lose all or part of your investment.

4.2.1 COVID-19

Events related to COVID-19 have resulted in significant market volatility. There is continuing uncertainty as to the ongoing and future impact of COVID-19 including in relation to the nature, timing and duration of the responses of governments and authorities globally as well as the duration and severity of the negative impact on Australian and global economic conditions. Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic, the full impact of COVID-19 on consumer behaviour, suppliers, employees and the Company is not fully known. A number of aspects of the Company's business have or may be directly or indirectly affected by COVID-19 including disruptions to supply chains, reductions in purchases by bricks and mortar retailers, reductions in consumer discretionary spending and consumer confidence due the economic downturn. The current response to the pandemic and the separation by water of Australia combined with the quality of tracing alleviate some of these risks. The Company's acquisition of HWG does play well for the online sales which have

risen during the pandemic, but ongoing retail and consumer impact is still uncertain. Given this, the impacts of COVID-19 may have a material adverse effect on the Company's financial and operational performance. Further, any government or industry measures may adversely affect the Company's operations and are likely beyond the control of the Company. In compliance with its continuous disclosure obligations, the Company will continue to update the market in regard to any material impact of COVID-19 on the Company's business.

4.2.2 Market conditions

There are general risks associated with investments in equity capital. The trading price of Shares in the Company may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares issued under the Offer being less or more than \$0.112.

Generally applicable factors which may affect the market price of shares include: the number of potential buyers or sellers of Shares on the ASX at any given time; recommendations by brokers and analysts; general movements in Australian and international equity capital markets; investor sentiment and perceptions; Australian and international economic conditions and outlook (including as a result of the impact of COVID-19); changes in interest rates and the rate of inflation; changes in government regulation and policies; announcements of new technologies; and geo-political instability (including international hostilities and acts of terrorism, state of emergency declarations, outbreaks of pandemics, diseases or war). No assurances can be given that the New Shares issued under the Offer will trade at or above \$0.112. Neither the Company, its Board nor any other person guarantees the market performance of the Shares.

4.2.3 Australian retail environment

Many of the Group's products are discretionary goods and, as a result, sales levels are sensitive to consumer sentiment, the Group's offering of products, and in turn its financial and operational performance, may be affected by changes in consumers' disposable incomes or their preferences as to the utilisation of their disposable incomes. Any reduction in the disposable incomes of the Group's customers as a result of changes to factors such as economic outlook, interest rates, unemployment levels (which has been heightened by COVID-19) and taxation may decrease consumer confidence and consumer demand, which may subsequently result in lower levels of revenue and profitability.

4.2.4 eCommerce

There is no guarantee that the Australian eCommerce sector will continue to grow into the future at all, or as currently forecast. Growth in the Australian eCommerce sector is expected to be driven partly by the migration of customers from traditional retail formats to online retail platforms. This factor is in part outside the control of online retailers, including the Group. There is no guarantee that the migration of customers observed in recent years will continue in the future. If online penetration of the Australian eCommerce sector does not increase in line with the Company's expectations, the Company may not be able to acquire new customers or engage existing customers, and its business, financial condition and operating results may suffer. Further, the Australian eCommerce sector is influenced by changing technologies. The Company may be impacted by its ability to maintain and update its technology platforms. Maintaining and updating its technology could involve a significant cost and no assurance can be given that the Company will have the capital required to develop or acquire new technologies required to maintain competitive advantage or market share in the future. Factors such as parallel importing and lack of access to international sales may add to the risk.

4.2.5 Supply chain

The Group relies on third party suppliers to supply the majority of the products it sells to customers and relies on third party logistics providers to distribute those products to customers, which carries the risk of delay and disruption. In addition, the spread of COVID-19 could adversely impact on the Group's supply chains if, for example, the ability to transport products between countries is disrupted, the Group's key suppliers are negatively affected or the Group is otherwise unable to efficiently distribute products to customers. In the event that the supply chain of the Group is disrupted for any reason, this may have a material adverse effect on the Company's operating performance and earnings. In addition, geo-political tensions and industrial disputes add to this risk

4.2.6 Information technology

The Company relies on various information technology systems including, websites, databases, IT and management systems and security systems (**Systems**) for its business operations and to maximise efficiency. There is a risk that if the Systems do not function properly, there could be disruptions, corruption in databases or other electronic information, delays in sales events, delays in transaction processing, website slowdown or unavailability, loss of data or the inability to accept and fulfil customer orders which, if sustained or regular, could materially adversely affect the Company's financial and operational performance. Any sustained or unplanned downtime of these Systems, could directly damage the reputation and brand of the relevant platform and could reduce visitors to the affected websites or Apps, directly influencing sales to customers. The integration of the HWG Systems with the Company's Systems will add further complication and risk in continuity of customer supply, ordering and financial management. The Group's Systems are and will be all hosted on servers owned by third party providers and are therefore subject to the disaster planning contingencies of those third-party providers to deal with events that may be beyond their control. A catastrophic failure in the systems of a third party provider is likely to have a material impact on the systems and operations of the Group and consequently the Company's reputation and financial performance.

4.2.7 Market or technological change

Key suppliers to the Group, such as Mattel, Hasbro and LEGO, may struggle to keep pace with technological changes and advancements and fail to produce sufficiently profitable products for the toy industry and Toys R Us Australia. In the past, there have been cultural shifts and toy trend changes that have significantly affected all toy companies, and this may re-occur in the future (for example, general toy theme popularity shifts, movie flops, cultural change, technology changes in robotics and 3D printing). This may impact the Company's ability to grow sales and may have a material adverse effect on its financial and operational performance.

4.2.8 Counterparty risk

The Group has a large number of domestic and international suppliers and service providers, from which it sources a broad range of products and services. There is a risk that the Group may be unable to continue to source products or services from existing suppliers or service providers, and in the future, may be unable to source products from new suppliers or services from new service providers, at favourable prices, on favourable terms, in a timely manner or in sufficient volume or quality. This risk has been further heightened as a result of COVID-19. The interruption or termination of the Group's supply agreements may have a material adverse impact on the Group's financial and operational performance in the future. The Company cannot guarantee that its existing arrangements with key suppliers or service providers will be renewed, or, if renewed, will be renewed on terms similar to their current terms. The loss or deterioration of relationships with these suppliers or service providers, an inability to renew

informal or contractual arrangements with such parties, or an inability to negotiate agreements with new parties on terms which are not materially less favourable than existing arrangements, may have a material adverse effect on the Company's financial and operational performance.

4.2.9 Competitor behaviour and landscape changes

After Completion, the Group will have several competitors in the baby and toy retail spaces, including physical stores and online. Competition may alter significantly or intensify, competitors may merge and form alliances with established companies, or established companies within other industries may enter the Group's industry. The failure of a large competitor could influence industry performance, depressing market prices for a period and cause excess inventory to exist within the marketplace. In addition, international sellers can access the Australian market with enhanced supply chain removing barriers to entry. Such international companies can have better prices and enhanced ranges.

4.2.10 Customer preferences and trends

The toy, hobby and family entertainment industries are highly influenced by current trends and consumer preferences. There is a risk that the Company may fail to anticipate and adapt to changing consumer preferences and trends in a timely manner. The Company's financial performance depends on its ability to identify and respond to retail product trends, as well as to anticipate, gauge and react to changing consumer preferences in a timely manner. A large number of products sold by the Group are manufactured internationally, which means that any significant delay between ordering and delivery further exposes the Group to the risk that customer preferences may change between the time products are ordered and the time they are available for purchase. Following Completion, the Group may explore different sales categories but there can be no guarantee that such categories will be accepted by the Group's existing and prospective customers or address their preferences. If the Company misjudges customer preferences or fails to convert market trends into appealing product offerings on a timely basis, these may result in lower revenue and margins and could adversely impact the Company's financial and operational performance. In addition, any change in customer preferences may lead to increased obsolete inventory risk.

4.2.11 International risk

The Group companies source a large proportion of their products from foreign providers. As such, the Group is exposed to risks including foreign exchange and hedging risk, political instability (including as a result of pandemics such as COVID-19), increased security requirements for foreign goods, costs and delays in international shipping arrangements, imposition of taxes and other charges and restrictions on imports. The Company is also exposed to risks related to labour practices, environmental matters, disruptions to production and ability to supply, and other issues in the foreign jurisdictions where suppliers and service providers operate. Any of these risks, individually or collectively, could materially adversely affect the Company's financial and operational performance.

4.2.12 Reputational risk

Customer complaints or negative publicity about any of the Group's businesses, websites, products, product delivery times, customer data handling and security practices or customer support, especially on blogs and social media websites could rapidly and severely diminish website traffic and consumer and supplier confidence in the Group. There is a risk that this could result in harm to the Company's reputation and could adversely affect the Company's financial performance.

4.2.13 Trade disputes or production interruptions

Significant trade disputes that lead to increased prices, manufacturer labour shortages, large increases in cost of production or significant trade or alliance changes could impact forecast projections. The Group's suppliers and service providers are also subject to various risks which could limit their ability to provide the Company with sufficient, or any, products or services. Some of these risks include raw material costs, inflation, labour disputes, union activities, boycotts, financial liquidity, product merchantability, safety issues, natural disasters, disruption in exports, trade restrictions, currency fluctuations and general economic and political conditions.

4.2.14 Seasonality of business

The Group conducts a disproportionate amount of retail sales during the last quarter of the calendar year. Failure to stock or restock popular products in sufficient amounts such that customer demand cannot be met could significantly affect revenue and future growth. This period can be impacted by social, political and economic factors such as strikes, weather or changes in interest rates. Conversely an overstock of inventory may result in significant inventory markdowns or write-offs and commitment costs to be incurred, which could materially reduce profitability.

4.2.15 Personal information and data loss

The databases of customers, suppliers and data analytics held by the Group are valuable assets for their continued success. However, such databases are subject to various risks including computer viruses, electronic theft, physical terminal theft, physical damage resulting in a loss or corruption of data, operating system failures, third party provider failures and similar disruptions. This could render the websites unavailable for a period of time while data is restored. Although processes are in place to combat such risks (including firewalls, encryption of client data, a privacy policy and policies to restrict unauthorised access), these processes might not be successful and there is a risk that a data breach may occur, or a third party may gain access to the confidential information of customers or the Group's internal systems and databases. A failure to maintain the confidentiality of this information (in particular, the Company's customer database) could result in a breach of law and cause significant operational, reputational, legal and cost ramifications, any of which could adversely affect the Company's future financial performance.

4.2.16 Regulatory risk

The Company is subject to, and must comply with, a variety of laws and regulations in the ordinary course of its business. These laws and regulations include those that relate to fair trading and consumer protection, product safety, employment, property, taxation (including goods and services taxes (GST) and stamp duty) and customs and tariffs. Failure to comply with, or changes to, laws and regulations may adversely affect the Company, including by increasing its costs either directly or indirectly (for example, by increasing the cost to the business of complying with legal requirements). Any such adverse effect may impact the Company's future financial performance. In particular, there is a risk that laws or regulations may be introduced that restrict the Group's use of its customer database and customer's personal information and/or otherwise restrict its interactions with consumers, sales tactics and market campaign efforts.

4.2.17 Tax and GST

Changes in local indirect tax, such as GST, and duty treatment of any of the markets in which the Group's operates, could have an impact on the sales of imported brands. Given that many of the products sold by the Group are discretionary goods, and that the customers for such

products tend to be price sensitive, the imposition of taxes (such as GST or equivalent taxes) on the sale of imported goods at lower than current value thresholds in any of the jurisdictions in which the Group operates could reduce the attractiveness of the Group's products and have a material adverse effect on the Company's financial condition and financial results.

4.2.18 Product liability risk

Products sold by the Group could expose the Company to product liability or food safety claims relating to personal injury or illness, death, or environmental or property damage, and can require product recalls or other actions. Third parties who sell the Group's products increase the Company's exposure to product liability claims, such as when these sellers do not have sufficient protection from such claims. Although the Company maintains liability insurance and may be able to assign liability to suppliers, there is no certainty that this coverage is adequate for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms, or at all.

4.2.19 Litigation

The Group is subject to the usual business risk that disputes or litigation may arise from time to time in the course of its business activities. Such litigation risk accelerates with the merger of the Company with HWG as the improvement in the Company's financial position as a result of the Acquisition may increase the likelihood of parties pursuing potential claims against the Group. These may include claims and disputes involving competitors, customers, consumers, suppliers, employees, governmental agencies/authorities, regulators or other third parties. There is a risk that any material or costly dispute could have a material adverse effect on the Company's reputation, financial performance and profitability.

4.2.20 Insurance

The Company maintains insurance coverage in relation to various aspects of its business. However, there is no guarantee that such insurance will be available in the future on a commercially reasonable basis (including as to the pricing of premiums) or that the Company will have adequate insurance cover against claims made from time to time. If the Company incurs uninsured losses or liabilities, or if its insurance cover does not adequately protect it against relevant claims, its assets, profits and prospects may be materially adversely affected.

4.2.21 Non-renewal of key contracts

The Groups business activities and financial performance are reliant on contracts and relationships with key existing suppliers and service providers. There can be no guarantee that these contracts and relationships will continue or, if they do continue, that they will remain successful. Some of the Company's suppliers and service providers are engaged on a short-term basis and/or their contracts are due for renewal soon. There is a risk that such contracts will not be renewed or will be renewed on less favourable terms. Any adverse changes to, or loss of, arrangements or relationships with the Group's suppliers or service providers may adversely impact the Company's financial and operational performance.

4.2.22 Retailer view of the Acquisition

The combination of the Company and HWG provide a direct to customer and a direct to retailer service. Some retailers (despite also providing similar optionality in their supply of stock) may adversely see the channel management as a conflict and no longer see Company as a wholesale supply line.

4.2.23 Risks associated with the Acquisition

There are a number of additional transaction specific risks that arise out of the Acquisition including the following:

- (a) There are risks associated with all transactions, including but not limited to the integration of financial, operational and managerial resources. If the assets or businesses are not successfully integrated, this may have a material adverse effect on the Company's financial and operational performance. In addition, while the Company has conducted extensive due diligence in relation to the Acquisition, there is no assurance that the merged Group will perform as forecast once fully integrated, or successfully achieve the desired objectives, including, where applicable, any synergies.
- (b) The terms of the Amended Licence Agreement, which will come into effect on completion under the SSD, grant various approval and observer rights in relation to the Board of the Company to TRUK including:
 - (i) if a person is appointed as Managing Director/CEO or Chair of the Company without TRUK's prior written approval, then the fees payable under the Amended Licence Agreement may be increased by 30% until a person that is approved by TRUK is appointed to those roles;
 - (ii) if the Company has more than four people on its Board, then the fees payable under the Amended Licence Agreement may be increased by 30% until the number of Directors returns to four; and
 - (iii) TRUK is permitted to appoint an observer who is entitled to attend Board meetings in an observer capacity and receive all Board papers. Failure by the Company to permit such an appointment may result in fees payable under the Amended Licence Agreement being increased by 30% until the observer role is fulfilled.

Relevantly, in relation to the rights referred to in paragraphs (b)(i) and (ii) above, the Chairperson of the Board has a casting vote where decisions of the Board are tied.

- (c) Associates of Mr Louis Mittoni will be issued 34.43% of the Shares in the Company as consideration for Acquisition. In addition, Mr Mittoni will be issued three tranches of options. Each tranche equates to 1% of the issued Shares in the Company. If all tranches are exercised before the relevant expiry date, Mr Mittoni and his Associates will hold 36.15% of the Shares in the Company.
- (d) Following the Acquisition, sales of the merged Group will be reliant on the maintenance of the Amended Licence Agreement. The Amended Licence Agreement includes a number of termination rights including for a material breach of the agreement that is not remedied within 45 days of notice and late payments that are not cured within the applicable notice period. In addition TRUK can terminate the Licence Agreement where there is a change of control of the Company without TRUK's approval.
- (e) There is a non-dilution clause in the SSD under which the Company has undertaken not to issue new Shares in the Company until after 31 July 2021 (other than where the directors consider it would be consistent their duties as directors to issue shares, the issue is made under the Company's placement capacity under ASX Listing Rules 7.1 and 7.1A or the issue is made under the Company's Employee Incentive Plan).

- (f) HWG is reliant on the continued involvement of Mr Mittoni in the business. On completion of the Acquisition, the Company will rely on the expertise, experience and strategic direction provided by Mr Mittoni and Mr Kevin Moore to integrate the HWG businesses with the Company's existing businesses. The Company's success following the Acquisition depends to a significant extent on Mr Mittoni and Mr Moore.

4.3 *Investment speculative*

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may materially affect the financial performance of the Company and the value of the Company's Shares.

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5 How to apply

5.1 *Opening and closing dates of the Offer*

The Offer will open on 25 November 2020 at 10:00am (Melbourne time) (**Opening Date**) and will close on 1 December 2020 at 5:00pm (Melbourne time) (**Closing Date**).

The Directors reserve the right to close the Offer early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

5.2 *Application for Shares under the Offer*

Applications for New Shares under the Offer must be made by investors at the direction of the Company and must be made using the relevant Application Form provided by the Company with this Prospectus.

Payment for the New Shares must be made in full at the issue price of \$0.112 per New Share. If you apply and pay for New Shares before the close of the Offer, it is expected that you will be issued your Shares on or about Friday, 4 December 2020.

5.3 *Payment*

It is your responsibility to ensure that your payment is received by the Company by no later than 5:00pm (Melbourne time) on 1 December 2020 (**Closing Date**). Cash payments will not be accepted. Receipts for payment will not be issued.

Please ensure that you make arrangements so that your cheque, money order or bank draft is received at the below address no later than the Closing Date:

The Offer
C/- Funtastic Limited
Level 2, 315 Ferntree Gully Road
Mount Waverley VIC 3149

5.4 *Minimum subscription*

There is no minimum subscription for the Offer.

5.5 *No underwriting*

The Offer is not underwritten.

5.6 *Issue of Shares*

This Prospectus has primarily been issued to cleanse the issue of the Transaction Shares and any other Shares issued by the Company on or before the Closing Date.

In the event that the Directors decide to issue New Shares under this Prospectus, the issue of New Shares will take place as soon as practicable after the Closing Date. Application Monies will be held in a separate account until the New Shares are issued. This account will be established and kept by the Company on trust for each Applicant. Any interest earned on the Application Monies will be for the benefit of the Company and will be retained by the Company regardless of whether any Shares are issued and each Applicant waives the right to claim any interest.

The Directors will determine the allottees of all the Shares. The Directors reserve the right to reject any application or to allocate any Applicant fewer Shares than the number applied for.

5.7 ASX quotation

Application for official quotation of the New Shares by ASX will be made as soon as possible and in any event within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of this Prospectus (or such period as varied by ASIC), the Company will not issue any New Shares and will repay all Application Monies received for the New Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

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6 Additional information

6.1 *Currency of information*

The information in this Prospectus is dated 23 November 2020. There may be additional announcements made by the Company after the date of this Prospectus and through the Offer that may be relevant to your consideration of whether to exercise or do nothing in respect of the Offer. Therefore, you are encouraged to check whether any further announcements have been made by the Company before submitting your application. Refer to ASX's website at <http://www.asx.com.au/> (ticker: FUN).

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

6.2 *No liability for premature trading*

The Company will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade Shares before such Shares are quoted on a normal (T+2) settlement basis on ASX or before they receive their confirmation of issue, whether on the basis of confirmation of the allocation provided by the Company or the Share Registry or otherwise. It is expected that normal trading of the New Shares on ASX will commence on or about Monday, 8 December 2020.

6.3 *Investors*

The information in this Prospectus contains an offer of New Shares to investors and has been prepared in accordance with section 713 of the Corporations Act. The Company, in its absolute discretion, reserves the right to determine whether an investor is able to participate in the Offer. The Company disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether an investor is eligible to participate in the Offer.

By making a payment of your Application Monies or returning an Application Form and a cheque, bank draft or money order for your Application Monies, 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. Investors who are nominees, trustees or custodians are therefore advised to seek independent professional advice in relation to the Offer.

Persons acting as nominees for other persons must not subscribe for any New Shares on behalf of, or send any documents related to the Offer to, any person located in the United States.

6.4 *Ineligible investors*

The Company has decided that it is unreasonable to make offers under the Offer to potential investors who are located outside Australia or who are otherwise ineligible under applicable securities laws to receive an offer under the Offer, having regard to the number of such holders in those jurisdictions, the number and value of the Shares that they would be offered and the cost of complying with the relevant legal and regulatory requirements in those jurisdictions. Therefore, such investors are not eligible to participate in the Offer.

In particular, this Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The 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 except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

6.5 **Not investment advice or financial product advice**

The information in this Prospectus is not financial product advice and has been prepared without taking into account any person's investment objectives, financial circumstances or particular needs or circumstances. The Company is not licensed to (and does not) provide financial product advice in respect of the New Shares.

Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in the 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 the New Shares. If, after reading this Prospectus, you have any questions about the Offer, you should contact your stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser.

6.6 **Taxation**

None of the Company, its Officers, employees or advisers is giving or is able to give advice about the specific tax consequences arising from the Offer.

The taxation consequences of any investment in New Shares will depend upon your particular circumstances. Potential investors must make their own enquiries concerning the taxation consequences of an investment in the Company. Applicants should consult their tax adviser for advice applicable to their individual needs and circumstances.

6.7 **No cooling-off rights**

No cooling-off rights apply to a subscription for New Shares under the Offer. This means that you cannot withdraw your application once it has been accepted.

6.8 **Directors' interests**

The following table sets out the Shares and incentive rights of the Directors and their Associates as at the Lodgement Date:

Director	Shares (number)	Shares (%)	Options / SARS
Ms Anderson	1,075,467	0.45%	240,000 Share Appreciation Rights, granted on 23 November 2020 exercisable within 6 months from 1 November 2021 (SARs) ¹
Mr Brookes	900,000	0.37%	NIL
Mr Tripodi	NIL	NIL	240,000 SARs

Notes:

1. The SARs were issued to Mr Tripodi and Ms Anderson as part of their remuneration package and was approved by Shareholders at the 2020 AGM. For more information, see the Notice of Meeting.

At Completion, which will occur prior to the Closing Date, Mr Mittoni and Mr Moore will be appointed as Directors of the Company and Mr Brookes will retire from the Board.

The following table sets out the Shares and incentive rights of the Directors and their Associates as at Completion of the Transactions:

Director	Shares (number)	Shares (%)	Options / SARS / Deferred Share Awards
Mr Mittoni	291,205,818 Shares ¹	34.43%	8,457,875 Options exercisable at \$0.138 vesting on expiring on 1 November 2023
Mr Moore	2,232,143 Shares ²	0.26%	1,691,575 Options exercisable at \$0.138 vesting on expiring on 1 November 2023 Deferred Share Awards with a grant value of \$20,000
Ms Anderson	1,075,467	0.13%	240,000 SARs
Mr Tripodi	NIL	NIL	240,000 SARs

Notes:

- Shares held by Associates of Mr Mittoni being Mittoni Holdings Pty Ltd (as trustee for the Mittoni Family Trust) and Hobby Warehouse Holdings Pty Ltd (as trustee for the Hobby Warehouse Trust) (being the Consideration Shares to be issued under the SSD).
- Shares held by Mr Moore directly. The Shares include the 2,232,143 which will be subscribed for by Mr Moore at \$0.112 per Share under the Placement but does not include the Shares to be issued to Mr Moore on the vesting of the "Tranche 1" Deferred Share Awards with a grant value of \$20,000 as the number of Shares to be issued will depend on the market price of Shares on the date of Completion. For more information, see the Notice of Meeting.

Further detail about the Directors' interests following completion of the Transactions, including a summary of the terms of the Options and the SARs are included in the Notice of Annual General Meeting for the 2020 AGM dated 23 October 2020.

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within two years before the lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer of New Shares pursuant to this Prospectus; or
- the Offer of New Shares pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash, Shares or otherwise) to any Director or any firm in which such a Director is a partner, either to induce him to become or to qualify him as a Directors or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company of the Offer of New Shares pursuant to this Prospectus.

The Constitution provides that Directors are entitled to be paid for their services as Directors but the aggregate of their remuneration shall not exceed the amount approved by the Company in general meeting. The aggregate amount currently approved for Non-Executive Directors fees is \$500,000, as approved by Shareholders in the general meeting held on 27 April 2004. A Director may also be paid fees or other amounts as the Directors determine where a Director performs duties or provides services outside the scope of their normal duties. A Director may be reimbursed for out of pocket expenses incurred by them in or about the performance of their duties as Directors.

The table below sets out the proposed remuneration of each Director in office on the Lodgement Date for the financial year ending 31 July 2020 (exclusive of superannuation).

Director	For financial year up to 31 July 2020	Shares	Options	SARs
Ms Anderson	\$60,000	NIL	NIL	NIL
Mr Tripodi	\$60,000	NIL	NIL	NIL
Mr Brookes	\$159,817.35	NIL	NIL	NIL

6.9 **Entire agreement**

The terms contained in this Prospectus and the Application Form provided by the Company with this Prospectus constitute the entire agreement between you and the Company as to the Offer to the exclusion of all prior representations and understandings between you and the Company.

6.10 **Disclaimer of representations**

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

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

6.11 **Withdrawal of Offer**

The Directors reserve the right to withdraw all or part of the Offer and this Prospectus at any time, subject to applicable laws, in which case the Company will refund Application Monies in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest.

To the fullest extent permitted by law, you agree that any Application Monies paid by you to the Company will not entitle you to any interest from the Company and that any interest earned in respect of Application Monies will belong to the Company.

6.12 **Transaction specific prospectus and continuous disclosure obligations**

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) and therefore is subject to regular reporting and disclosure obligations. Pursuant to those obligations, the Company is required to comply with all applicable continuous disclosure and reporting requirements in the Corporations Act and the ASX Listing Rules. In particular, the Company must comply with the requirement to disclose to ASX any information held by the Company which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

As this Prospectus is a transaction specific prospectus issued under section 713 of the Corporations Act, it is required to contain information in relation to the effect of the Offer on the Company and the rights and liabilities attaching to the Shares offered. This Prospectus is not required to provide information regarding the Company's assets and liabilities, financial position and performance, profits and losses or prospects on the basis that, as at the date of this Prospectus, the Company has not withheld from its continuous disclosure reporting any

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information about such matters that investors and their professional advisers would reasonably require to make an informed assessment of such matters and expect to find in this Prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company states that:

- (a) as a disclosing entity under the Corporations Act, it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request:
 - (i) the annual financial report most recently lodged by the Company with ASIC;
 - (ii) any half-year financial report lodged with ASIC after lodgement of the annual financial report and before lodgement of this Prospectus with ASIC; and
 - (iii) any continuous disclosure notices given by the Company after the lodgement of the annual financial report and before the lodgement of this Prospectus with ASIC.

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company or an ASIC office during normal business hours.

A list of documents filed with ASX by or concerning the Company since its 2020 Annual Report was released on 29 October 2020 until the Lodgement Date is set out in the table below.

Date	Announcement
29 October 2020	Appendix 4G
23 November 2020	AGM Address to Shareholders
23 November 2020	AGM Results of Meeting

Any Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included in this Prospectus may obtain a copy free of charge by writing to the Company Secretary at legal@funtastic.com.au.

Copies of all announcements made by the Company may also be obtained from ASX's website at <http://www.asx.com.au/> (ticker: FUN).

6.13 **Market price of Shares**

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the Lodgement Date and the most recent dates of those sales are set out below.

Description	Date	Price
High	26 October 2020	\$0.195
Low	24 August 2020 and 7 September 2020	\$0.040
Last	20 November 2020	\$0.140

6.14 **Details of substantial holders**

Based on the Company's knowledge as at the Lodgement Date, the following table sets out those person which directly or together with their Associates, have or will have a relevant interest of 5% or more of the Shares on issue as at the Lodgement Date and at completion of the Transactions.

Holder	Lodgement Date		Following Completion of the Transactions	
	Shares (number)	Shares (%)	Shares (number)	Shares %
Mittoni Holdings Pty Ltd (as trustee for the Mittoni Family Trust) and Hobby Warehouse Holdings Pty Ltd (as trustee for the Hobby Warehouse Trust) ¹	NIL	NIL	291,205,818	34.43%
Jason Sourasis	47,154,705	19.61%	105,636,848 ²	12.49%
Theo Andriopoulos	23,652,306	9.84%	50,438,020 ³	5.96%
G Harvey Nominees Pty Ltd	22,113,602	9.20%	22,113,602	2.61%
Regal Funds Management Pty Ltd	NIL	NIL	62,500,000 ⁴	7.39%

Notes:

- Both of which are Associates of Mr Mittoni.
- 53,571,429 Conversion Shares will be issued to Jaszac at Completion of the Transactions under the Loan Conversion and Repayment Agreement and 4,910,714 Placement Shares will be issued to Jaszac as a participant in the Placement.
- Mr Andriopoulos has entered into a binding commitment to purchase 15,625,000 Placement Shares.
- Regal has entered into a binding commitment to purchase 62,500,000 Placement Shares.

In the event that the Offer is fully subscribed, there will be no change to the substantial holders on completion of the Offer.

6.15 **Consents**

Each of the persons listed below has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn their consent to the inclusion of the following information in this Prospectus in the form and context in which it is included and to all references in this Prospectus to that information in the form and context in which they appear:

- (a) Canaccord Genuity (Australia) Limited, to being named in this Prospectus as Underwriter to the Placement;
- (b) Johnson Winter Slattery, to being named in this Prospectus as legal adviser in respect of this Prospectus and the Offer; and
- (c) Automic Pty Ltd, to being named in this Prospectus as the Share Registry for the Company.

Each person named above as having given its consent to the inclusion of a statement or report or to being named in this Prospectus:

- (a) does not make, or purport to make, any statement in this Prospectus or any statement on which a statement in this Prospectus is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, a statement or report included in this Prospectus with the consent of that person; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, any statement or report which has been included in this Prospectus with the consent of that party.

6.16 **Interests of advisers**

Other than as set out below or elsewhere in this Prospectus, no adviser involved in the preparation of this Prospectus (nor any firm in which any adviser is a partner, associate or consultant), has held at any time in the past two years any Shares or other securities of the Company.

In addition, other than as set out below, no amounts (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid and no benefits have been given or agreed to be given to any adviser (or any firm in which the adviser is a partner, associate or consultant) for services rendered by the adviser, or the adviser's firm in connection with the promotion or formation of the Company or in connection with the Offer (or any component of it).

Johnson Winter & Slattery has acted as Australian legal adviser to the Company in relation to this Prospectus and the Offer. In aggregate, the Company estimates that it will pay \$20,000 (plus GST and disbursements) for these services to the date of this Prospectus. Further amounts may be paid to Johnson Winter & Slattery in accordance with their usual time based charge out rates.

6.17 Estimated expenses of Offer

The total expenses of the Offer are estimated to be approximately \$23,206 as follows:

Expense	(\$)
Legal costs	\$20,000
ASIC fees	\$3,206

6.18 ASIC declarations and ASX Listing Rule waivers

The Company has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Offer. The Company has not been granted any waivers from ASX in relation to the Offer.

6.19 Electronic Prospectus

If you have received this Prospectus as an electronic prospectus together with an Application Form, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please phone the Company on +61 3 9081 9100 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary Prospectus or any of those documents were incomplete or altered.

6.20 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates in respect of Shares issued pursuant to this Prospectus. The Company is a participant in CHES for those investors who have a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with separate statements (similar to a bank account statement) that set out the number of Shares allotted to them under the Offer. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

6.21 Privacy Statement

The Company and the Share Registry collect, hold and use certain personal information to assess your application, service your needs and provide facilities and services that you request and carry out appropriate administration.

Company and tax law requires some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, if at all.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about the Company's management practices by contacting the Share Registry or the Company. If the Share Registry's record of your personal information is incorrect or out of date, it is important that you contact the Company or the Share Registry so that records can be corrected.

6.22 *Governing law*

The information in this Prospectus, the Offer, and the contracts formed on acceptance of the Offer pursuant to the Application Forms are governed by the law applicable in Victoria, Australia. Each investor who applies for Shares submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

6.23 *Approval of Prospectus*

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent. This Prospectus is issued by the Company and its issue has been approved by a resolution of the Board on 23 November 2020.

Signed for and on behalf of the Company:



Nicki Anderson
Director

7 Glossary and interpretation

7.1 Glossary

In this Prospectus, unless the context otherwise requires:

2020 AGM means the annual general meeting of the Company held on 23 November 2020.

A\$, \$, or AUD means the currency of Australia.

Abbey Shares means the 454,545 Shares to be issued to Mr Howard Abbey prior to the Closing Date in relation to his remuneration and incentive package for the 2019 financial year.

Acquisition means the acquisition by the Company of 100% of the shares in the HWG pursuant to the SSD.

Amended Licence Agreement means the amended licence agreement between TRUK, Toys R Us Licensee Pty Ltd, Hobby Warehouse Pty Ltd and the Company which amends the Licence Agreement dated 23 October 2020.

Applicant means an investor who applies for Shares under the Offer.

Application Form means the application form attached to this Prospectus for Shares.

Application Monies means the amount payable by each Applicant under this Offer, being the amount equal to \$0.112 multiplied by the number of Shares that the Applicant applies for.

ASIC means the Australian Securities & Investments Commission.

Associate has the meaning given in the Corporations Act.

ASX Listing Rules means the official listing rules of ASX as amended, varied, modified or waived from time to time.

ASX means ASX Limited ACN 008 624 691, and where the context requires, the Australian Securities Exchange.

ASX Settlement means ASX Settlement Pty Ltd ACN 008 504 532.

ASX Settlement Operating Rules means the operating rules of ASX Settlement which govern the administration of CHESS.

Board means the Board of Directors of Funtastic Limited.

CHESS means the Clearing House Electronic Subregister System of ASX.

Closing Date means the date that the Offer closes, being 5:00pm (Melbourne time) on 1 December 2020 (unless extended).

Completion means completion of the Transactions.

Control has the meaning given in section 50AA of the Corporations Act.

Consideration Shares means the 291,205,818 Shares to be issued to Mittoni Holdings Pty Ltd (as trustee for the Mittoni Family Trust) and means Hobby Warehouse Holdings Pty Ltd (as trustee for the Hobby Warehouse Trust) (both of which are Associates of Mr Louis Mittoni) under the Share Sale Deed.

Constitution means the Company's constitution.

Conversion and Repayment Agreement has the meaning given in Section 1.3(c).

Conversion Shares means the 53,571,429 Shares to be issued to Jaszac under the Conversion and Repayment Agreement.

Corporations Act means the *Corporations Act 2001* (Cth).

Company means Funtastic Limited ACN 063 886 199.

Director means a director of the Company as at the Lodgement Date and, includes, where relevant, future Directors of the Company as at the date of Completion.

Group means the Company and each of its subsidiaries (as that term is defined in the Corporations Act) and includes, following Completion, HWG.

HWG or Hobby Warehouse Group means Mittoni Pty Ltd, Hobby Warehouse Pty Ltd and Toys R US Licensee Pty Ltd

Licence Agreement means the licence agreement between TRUK, Toys R Us Licensee Pty Ltd and Hobby Warehouse Pty Ltd dated 31 May 2019.

Loan Agreement means the Secured Loan Agreement between the Company and Jaszac dated 14 March 2019, as amended and restated on 14 January 2020.

Lodgement Date means 23 November 2020 being the date this Prospectus was lodged with ASIC.

Jaszac means Jaszac Investments Pty Ltd ACN 128 619 483.

New Shares means the Shares being offered under this Prospectus.

Offer means the offer of 100 Shares in the capital of the Company at a price of \$0.112 per Share to raise up to \$11.20 (before the costs of the Offer).

Officer has the same meaning given to it in section 9 of the Corporations Act.

Opening Date means the date that the Offer opens, being 10:00am (Melbourne time) on [date] November 2020.

Option means an option to subscribe for a Share at a prescribed exercise price.

Placement means the placement of Shares, each at an issue price of \$0.112 per Share to raise \$29 million (before costs) to “Sophisticated Investors” or “Professional Investors” within the meaning of sections 708(8) and 708(11) of the Corporations Act.

Placement Shares means the 258,928,571 Shares to be issued under the Placement (including the 2,232,143 Shares to be issued to Mr Moore and a maximum 26,785,714 Shares issued to Jaszac).

Prospectus means this cleansing prospectus dated 23 November 2020 prepared in accordance with section 708A(11) of the Corporations Act and lodged with ASIC on that date.

Share means a fully paid ordinary share in the Company (and includes a New Share offered under this Prospectus).

Share Appreciation Right means a right to receive payment upon vesting in the form of Shares or cash, equal to the difference between the Fair Market Value of Shares on the vesting date and the Fair Market Value of such Shares on the grant date.

Share Registry means Automic Pty Ltd ACN 152 260 814.

Shareholder means a person registered in the register of members of the Company as a holder of one or more Shares.

SSD has the meaning given in Section 1.3(a).

Transactions has the meaning given in Section 1.3.

Transaction Shares means the Consideration Shares, the Placement Shares, the Conversion Shares and the TRUK Shares.

TRUK means TRU Kids, Inc. of 5 Wood Hollow Road, Parsippany, NJ 07054.

TRUK Shares means the 1,223,092 Shares to be issued to TRUK.

7.2 *Interpretation*

In this Prospectus, unless the context otherwise requires:

- (a) the singular includes the plural and vice versa;
- (b) a reference to an individual or person includes a corporation, firm, partnership, joint venture, association, authority, trust, state or government and vice versa;
- (c) a reference to any gender includes all genders;
- (d) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (e) a term not specifically defined in this Prospectus has the meaning given to it (if any) in the Corporations Act or the ASX Settlement Operating Rules, as the case may be;
- (f) unless otherwise specified, a reference to a section, clause, annexure or schedule is to a section, clause, annexure or schedule of or to this Prospectus;
- (g) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;
- (h) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation under, that legislation or legislative provision;
- (i) the words “including”, “such as”, “particularly” and similar expressions do not imply limitation; and
- (j) headings are for convenience of reference only and do not affect interpretation.

Corporate Directory

Directors

Bernard Brookes
Nicki Anderson
John Tripodi

Company Secretary

Howard Abbey

Registered Office and Principal Place of Business

Funtastic Limited
Level 2, 315 Ferntree Gully Road
Mount Waverley VIC 3149

Company website

www.funtastic.com.au

ASX CODE: FUN

Share Registry

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000

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