



Prospectus

Toys'R'Us ANZ Limited ACN 063 886 199

Issue of:

- (a) Up to 28,500,000 Shares to Mercer on a pre-Consolidation basis (2,850,000 on a post-Consolidation basis);
- (b) Up to 793,000 Convertible Notes with a face value of \$1 per Convertible Note to Mercer;
- (c) Up to 41,666,667 Convertible Security Options to Mercer on a pre-Consolidation basis (4,166,667 on a post-Consolidation basis);
- (d) Up to 71,428,571 Loan Options to Mercer on a pre-Consolidation basis (7,142,858 on a post-Consolidation basis);
and
- (e) 10,638,298 Shares at an issue price of \$0.0094 per Share to the Company's Chief Executive Officer on a pre-Consolidation basis,
(together, the **Offers**)

This is an important document and should be read in its entirety. If, after reading this document, you have any questions about the securities being offered for issue under it or any other matter, you should contact your stockbroker, solicitor, accountant or other professional adviser.

This is a transaction-specific prospectus issued in accordance with section 713 of the Corporations Act 2001 (Cth) and ASIC Corporations (Offers of Convertibles) Instrument 2016/83.

Legal Adviser

Lawyers | McCullough
Robertson

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IMPORTANT NOTICES

General

This Prospectus is dated 23 May 2024. A copy of this Prospectus was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of any investment under this Prospectus. No New Shares Convertible Notes or New Options will be allotted or transferred on the basis of this Prospectus after the expiry date. This Prospectus expires on 23 June 2025.

No person may give any information or make a representation about the Offers, which is not in this Prospectus. Information or representations not in this Prospectus must not be relied on as authorised by the Company, or any other person, in connection with the Offers.

This Prospectus provides information for the Applicants to decide if they wish to invest in TOY. Read this document in its entirety. Examine the assumptions underlying the risk factors that could affect the financial performance of TOY. Consider these factors carefully in light of your personal financial circumstances. Seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Offers do not take into account the investment objectives, financial situation or needs of particular investors.

The Company will apply to ASX within seven days of the date of this Prospectus for Official Quotation by ASX of the New Shares the subject of the Offers.

Transaction Specific Prospectus

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities and has been prepared in accordance with section 713 of the Corporations Act and ASIC Corporations (Offers of Convertibles) Instrument 2016/83. It does not contain the same level of disclosure as an initial public offering prospectus. 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 that potential investors may consult.

Risk Factors

Applicants should be aware that subscribing for New Shares or New Options involves a number of risks. The key risk factors of which Applicants should be aware of are set out in section 5. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Applicants should consider consulting their professional advisers before deciding whether to apply for New Shares, Convertible Notes or New Options pursuant to this Prospectus.

Electronic prospectus

This Prospectus is available electronically at www.toysrus.com.au. Electronic versions of this Prospectus should be downloaded and read in their entirety. Obtain a paper copy of the Prospectus (free of charge) by telephoning 07 3010 9393. Applications for New Shares, Convertible Notes or New Options may only be made on the Application Form attached to this Prospectus or in its paper copy form downloaded in its entirety from www.toysrus.com.au.

Foreign selling restrictions

No action has been taken to register or qualify the New Shares or the Offers in any jurisdiction outside Australia, or otherwise to permit a public offering of the New Shares, Convertible Notes or New Options outside Australia.

The Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, the offer or invitation would be unlawful. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of those restrictions. Any failure to comply with the restrictions may constitute a violation of applicable securities laws.

Each Applicant warrants and represents that they will not offer or sell the New Shares, Convertible Notes or New Options in the United States or in any other jurisdiction outside Australia, or to a United States person, except in transactions exempt from registration under the US *Securities Act 1933* as amended, and in compliance with all applicable laws in the jurisdiction in which the New Shares, Convertible Notes or New Options are offered and sold.

Forward-looking statements

Statements in this Prospectus may be forward looking statements.

Forward looking statements can be identified by the use of forward-looking terminology such as, but not limited to, 'may', 'will', 'expect', 'anticipate', 'estimate', 'would be', 'believe', or 'continue' or the negative or other variations of comparable terminology. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. The Directors' expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis. They are based on, among other sources, the examination of historical operating trends, data in the Company's records and other data available from third parties. There can be no assurance, however, that the Directors' expectations, beliefs or projections will give the results projected in the forward-looking statements. Investors should not place undue reliance on these forward-looking statements.

Additional risk factors that could cause actual results to differ materially from those indicated in the forward-looking statements are set out in section 5.

Exposure period

No exposure period applies to this Prospectus by operation of the Corporations Act in respect of the New Shares. To the extent that ASIC Corporations (Exposure Period) Instrument 2016/74 applies to this Prospectus, no exposure period will apply in respect of the New Options. In respect of the Convertible Notes, the Company must not process Application Forms during the seven day period after the date of lodgement of this Prospectus with ASIC, in accordance with s727(3) of the Corporations Act. This period may be extended by ASIC for up to a further seven days. This exposure period enables the Prospectus to be examined by ASIC and market participants. Application Forms accepting offers for Convertible Notes which are received during the exposure period will not be

processed until after the expiry of that period. No preference will be given to Application Forms received during the exposure period.

Disclosure of sale offers for options, convertible or converting securities

The on-sale of Shares issued on exercise of the Convertible Notes or New Options which are issued under this Prospectus do not breach Part 6D.2 of the Corporations Act by relying on the relief provided under ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80.

Privacy

The Company and the Share Registry collect, hold and use personal information received from you to communicate and provide services to you as a Shareholder. The Company may disclose information to its agents, service providers (such as the Share Registry) and government bodies. The Company's privacy policy sets out how you may access, correct and update the personal information that the Company holds about you (by contacting the Share Registry), how you can complain about privacy related matters and how the Company responds to complaints.

Defined terms

Capitalised terms used in this Prospectus are defined in the Glossary.

Currency

Monetary amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

Photographs and diagrams

Photographs used in this Prospectus without descriptions are only for illustration. The people shown are not endorsing this Prospectus or its contents. Diagrams used in this Prospectus may not be drawn to scale. The assets depicted in photographs in this Prospectus are not assets of the Company unless otherwise stated.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY

Letter from the Chairman

23 May 2024

Dear Shareholder

This Prospectus relates to the fully paid ordinary shares (**New Shares**) to be issued to each of Mercer and the Company's Chief Executive Officer and the offer of redeemable, unsecured convertible notes (**Convertible Notes**), Convertible Security Options and Loan Options (**New Options**) to be issued to Mercer only.

A consolidation of the issued capital of the Company was approved by the Shareholders on 17 May 2024, on the basis that every ten Shares on issue will be consolidated into one Share (**Consolidation**) with the effective date being 24 May 2024. As announced on 22 May 2024, the offer of the Mercer Shares, Convertible Notes and New Options to Mercer are given on a post-Consolidation basis and the offer of the Chief Executive Officer Shares are given on a pre-Consolidation basis.

As announced in the Company's notice of extraordinary general meeting dated 12 April 2024, the Company proposes to issue:

- (a) Up to 28,500,000 Shares to Mercer on a pre-Consolidation basis (2,850,000 on a post-Consolidation basis) pursuant to the convertible securities agreement the Company entered into with Mercer as announced to ASX on 20 March 2024 and 22 May 2024;
- (b) Up to 793,000 Convertible Notes to Mercer pursuant to the convertible securities agreement the Company entered into with Mercer in respect of funding of \$700,000, as announced to ASX on 20 March 2024;
- (c) Up to 41,666,667 Convertible Security Options to Mercer on a pre-Consolidation basis (4,166,667 on a post-Consolidation basis) pursuant to the convertible securities agreement the Company entered into with Mercer as announced to ASX on 20 March 2024 and 22 May 2024;
- (d) Up to 71,428,571 Loan Options to Mercer on a pre-Consolidation basis (7,142,858 on a post-Consolidation basis) pursuant to the loan facility agreement entered by the Company with Mercer as announced to ASX on 20 March 2024 and 22 May 2024; and
- (e) 10,638,298 Shares to the Company's Chief Executive Officer, Ms Penny Cox, on a pre-Consolidation basis pursuant to a convertible securities agreement the Company entered into with her on 20 March 2024 whereby it was agreed that she would provide \$100,000 of funding to the Company which, subject to shareholder approval and in accordance with the ASX Listing Rules, will convert the loan into new shares in TOY at a conversion price of \$0.0094 per share.

Each of the above share and option issuances were approved by Shareholders on 17 May 2024.

The share issuance of 35,000,000 fully paid ordinary shares (**RIOT Shares**) in TOY to RIOT was approved by Shareholders on 17 May 2024. The RIOT Shares were issued on 21 May 2024 at an issue price of \$0.010 per share. These shares are not offered under this Prospectus, however it is intended that this Prospectus will apply to the RIOT Shares.

Given the suspension of the Company's Shares in July 2023, this Prospectus has been prepared primarily for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on any subsequent sale of the RIOT Shares, and as a result of the Offers being made in accordance with 713 of

the Corporations Act to ensure that there are no trading restrictions on any subsequent sale of the New Shares and any shares issued on exercise of the New Options or conversion of the Convertible Notes.

The issue of New Shares is only available to Mercer (in respect of the Mercer Shares), and Penny Cox (in respect of the Chief Executive Officer Shares) (together, the **Applicants**). The issue of New Options and the Convertible Notes are only available to Mercer. An Application Form will be provided to those persons only.

I encourage you to read this Prospectus and the information referred to in it in its entirety before making an investment decision.

Yours faithfully



Kelly Humphreys
Non-Executive Director

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1 Investment overview

1.1 Summary offer details

Terms of Mercer Offer	Details
Mercer Shares	
Offer Price per Mercer Share	Nil
Total number of Mercer Shares offered under this Prospectus on a pre-Consolidation basis	28,500,000
Total number of Mercer Shares offered under this Prospectus on a post-Consolidation basis	2,850,000
Convertible Notes	
Face value per Convertible Note	\$1
Conversion price per Convertible Note	As set out in the Mercer Convertible Securities Agreement
Total number of Convertible Notes offered under this Prospectus	793,000
Convertible Security Option	
Issue price per Convertible Security Option	Nil
Exercise price per Convertible Security Option	As set out in the Mercer Convertible Securities Agreement
Total number of Convertible Security Options offered under this Prospectus on a pre-Consolidation basis	41,666,667
Total number of Convertible Security Options offered under this Prospectus on a post-Consolidation basis	4,166,667
Loan Options	
Issue price per Loan Option	Nil
Exercise price per Loan Option	As set out in the Mercer Convertible Securities Agreement
Total number of Loan Options offered under this Prospectus on a pre-Consolidation basis	71,428,571
Total number of Loan Options offered under this Prospectus on a post-Consolidation basis	7,142,858

Terms of Chief Executive Officer Offer	Details
Offer Price per Chief Executive Officer Share	\$0.0094
Total number of Chief Executive Officer Shares offered under this Prospectus on a pre-consolidated basis	10,638,298
Total amount raised from Chief Executive Officer Share issuance	\$100,000

1.2 Important dates

Event	Date
Prospectus date	23 May 2024
Opening date	23 May 2024
Anticipated date of allotment of Chief Executive Officer Shares	24 May 2024
Anticipated date of allotment of Convertible Notes, Mercer Shares and New Options	31 May 2024
Closing Date (5:00pm, Sydney time)	3 June 2024
Holding statements expected to be despatched	3 June 2024
Expected date for Official Quotation of New Shares on ASX	3 June 2024

All dates and times are subject to change and are indicative only. All times are to Sydney time. The Company reserves the right to vary these dates and times without notice.

Opening and closing dates are subject to the exposure period. ASIC may extend the exposure period by up to seven calendar days in which case the opening date for the offer and other dates may be varied accordingly without notice.

1.3 Use of funds

Proceeds from the issue of the Chief Executive Officer Shares and Convertible Notes will be applied principally to fund working capital. No proceeds are being raised from the issue of Mercer Shares or New Options.

1.4 Shareholding structure

The following table shows the shareholding structure of TOY on completion of the Offers:

	Pre-Consolidation	Post-Consolidation
Existing Shares on issue as at 22 May 2024 (the date of this Prospectus)	1,125,663,176	112,566,318
Approximate New Shares to be issued under the Offers	39,138,298	3,913,830
Approximate total number of Shares after the Offers	1,164,801,474	116,480,148

Existing Convertible Notes on issue as at 22 May 2024 (the date of this Prospectus)	Nil
Approximate Convertible Notes to be issued under the Offers	793,000
Approximate total number of Convertible Notes after the Offers	793,000

	Pre-Consolidation	Post-Consolidation
Existing Options on issue as at 22 May 2024 (the date of this Prospectus)	5,114,846	511,485
Approximate New Options to be issued under the Offers	113,095,238	11,309,524
Approximate total number of Options after the Offers	118,210,084	11,821,009

1.5 Potential questions and answers

Question	Answer	Section
Who is the issuer of this Prospectus?	Toys'R'Us ANZ Limited ACN 063 886 199	Not applicable

Question	Answer	Section
What are the Offers?	<p>The Offers are:</p> <ul style="list-style-type: none"> (a) an issue of up to 28,500,000 New Shares from TOY to Mercer on a pre-Consolidation basis (2,850,000 on a post-Consolidation basis) on the terms set out in the Mercer Convertible Securities Agreement; (b) an issue of up to 793,000 Convertible Notes in TOY to Mercer with a face value of \$1 per Convertible Note on the terms set out in the Mercer Convertible Securities Agreement; (c) an issue of up to 41,666,667 Convertible Security Options from TOY to Mercer on a pre-Consolidation basis (4,166,667 on a post-Consolidation basis) on the terms set out in the Mercer Convertible Securities Agreement; (d) an issue of up to 71,428,571 Loan Options from TOY to Mercer on a pre-Consolidation basis (7,142,858 on a post-Consolidation basis) on the terms set out in the Mercer Loan; and (e) an issue of 10,638,298 New Shares in TOY to the Company's Chief Executive Officer at an issue price of \$0.0094 per New Share on a pre-Consolidation basis. 	sections 2.1 and 6.3
What is the Offer Price of the New Shares, Convertible Notes and New Options?	<p>The New Shares are being issued:</p> <ul style="list-style-type: none"> (a) in respect of the Mercer Offer, have a nil issue price as set out in the Mercer Convertible Securities Agreement; and (b) in respect of the Chief Executive Officer Offer, \$0.0094 per New Share. <p>The Convertible Notes have a face value of \$1, with an investment amount of \$0.8827 each (representing a total investment amount of \$700,000 for the issue of Convertible Notes with a face value of \$793,000) and are convertible as set out in the Mercer Convertible Securities Agreement.</p> <p>The New Options have no issue price and are issued and exercisable on the terms set out in the Mercer Convertible Securities Agreement.</p>	sections 2.1 and 6.3
What rights and liabilities attach to the New Shares?	<p>The New Shares will rank equally in all respects with the Shares held by the Existing Shareholders. The rights and liabilities attaching to all Shares are set out in the Company's constitution.</p>	sections 6.2 and 7.2

Question	Answer	Section
<p>What rights and liabilities attach to the Convertible Notes?</p>	<p>The key terms of the Convertible Notes include:</p> <ul style="list-style-type: none"> (a) Convertible Notes are issued to Mercer in accordance with the Mercer Offer; (b) the face value of the Convertible Notes are \$1; and (c) each Convertible Note will have a maturity date that is 18 months after the date of issue under this Prospectus (Maturity Date). <p>The rights and liabilities attaching to all Convertible Notes are set out in the Mercer Convertible Securities Agreement.</p>	<p>section 6.3</p>
<p>What rights and liabilities attach to the New Options?</p>	<p>The key terms of the New Options include:</p> <ul style="list-style-type: none"> (a) New Options are issued to Mercer in accordance with the Mercer Offer; and (b) each New Option will have an expiration date that is three years after the date of issue under this Prospectus (New Option Expiry Date). <p>The rights and liabilities attaching to all New Options are set out in the Mercer Convertible Securities Agreement.</p>	<p>section 6.3</p>
<p>What is the Company's financial position?</p>	<p>The Company's financial position is set out in detail in section 4 of this Prospectus.</p>	<p>section 4</p>
<p>What risks are involved with an investment in the Company?</p>	<p>An investment in TOY is subject to both general and specific risks which you should consider before making a decision to apply for New Shares, Convertible Notes or New Options. Key specific risks include:</p> <ul style="list-style-type: none"> (a) if TOY is unable to manage its indebtedness and the restrictions applicable to it as a result of this indebtedness, its ability to implement its business strategy may be impaired and the results of its operations and financial condition may be adversely affected; (b) TOY may require additional funds to satisfy its existing and future debt facilities and to invest in its other activities and future projects; (c) TOY is exposed to a range of operational risks including equipment failures and other accidents, industrial action or disputes, lease renewals, damage by third parties, floods, fire, major cyclone, earthquake, terrorist attack or other disaster which may have a material adverse impact on TOY's financial performance and cash flows; (d) the sustainability and growth in the level of TOY's revenue and profit margins is dependent on its continued ability to secure 	<p>section 5</p>

Question	Answer	Section
	<p>and maintain relationships with customers and suppliers;</p> <p>(e) disruption to any aspect of TOY’s supply chain could have a material adverse impact on TOY’s operational and financial performance;</p> <p>(f) the failure of any of TOY’s or its customers’ IT systems, including inventory management systems, could have a significant impact on TOY’s ability to trade;</p> <p>(g) third parties, such as customers, suppliers and other counterparties to contracts may not be willing or able to perform their obligations to TOY;</p> <p>(h) any adverse change in TOY’s existing relationships with key distributors and retailers could have a material adverse impact on its operations and financial performance;</p> <p>(i) TOY relies on a range of parties for its product sourcing and licensing strategy. Any change in existing relationships (including termination of any key supply arrangements) or any change in terms or conditions of overseas suppliers and any change in the international political or economic environment may lead to material adverse changes to TOY’s operational and financial performance; and</p> <p>(j) the Company has a wide range of competitors including major international companies, and a large number of smaller companies. The actions of these competitors or changes in consumer preferences may adversely affect TOY’s financial performance.</p>	
Are the Offers underwritten?	The Offers are not underwritten.	section 2.1
Further questions	If you have questions about the Offers, please contact the Company Secretary on 07 3010 9393.	section 2.10

1.6 Important notice

This section is not intended to provide full details of the investment opportunity. Investors must read this Prospectus in full to make an informed investment decision. The New Shares, Convertible Notes and New Options offered under this Prospectus carry no guarantee of return of capital, return on investment, payment of dividends or on the future value of the Shares.

2 Details and effect of the Offers

2.1 Purpose of prospectus

The Company has been suspended from trading on the ASX for more than 5 days in the last 12 months and as a result was precluded from issuing a 'cleansing' notice in accordance with section 708A(5) of the Corporations Act to ensure the New Shares, Convertible Notes and New Options (and Shares issued on exercise of the New Options and conversion of the Convertible Notes) are not subject to on-sale restrictions. This Prospectus will remove the on-sale restrictions.

2.2 Overview

The Offers comprise an issue of:

- (a) up to 28,500,000 New Shares to Mercer on a pre-Consolidation basis (2,850,000 on a post-Consolidation basis);
- (b) up to 793,000 Convertible Notes with a face value of \$1 per Convertible Note to Mercer;
- (c) up to 41,666,667 Convertible Security Options to Mercer on a pre-Consolidation basis (4,166,667 on a post-Consolidation basis);
- (d) up to 71,428,571 Loan Options to Mercer on a pre-Consolidation basis (7,142,858 on a post-Consolidation basis); and
- (e) 10,638,298 Shares at an issue price of \$0.0094 per Share to the Company's Chief Executive Officer on a pre-Consolidation basis,

(before direct offer costs including fees paid to advisers and to providers of specific services to cover Share Registry, printing and postage costs).

The Board intends to use the proceeds of the Offers to fund its short-term working capital requirements.

The Offers are only available to the respective Applicants who will be personally invited to accept the respective Offers. An Application Form will be provided to those persons only.

The Applicant should be aware that an investment in TOY involves risks. The key risks identified by TOY are set out in section 5 of this Prospectus.

2.3 Underwriting

The Offers are not underwritten.

2.4 Purpose of the Prospectus

This Prospectus has been prepared primarily to facilitate the secondary trading of the New Shares, Convertible Notes and/or New Options issued under this Prospectus (and Shares issued on exercise of the New Options and conversion of the Convertible Notes).

Only Applicants are eligible to receive New Shares, Convertible Notes and/or New Options under this Prospectus.

2.5 Impact on control

The issue of the New Shares, Convertible Notes and New Options under this Prospectus is not expected to have any material effect on the control of the Company.

2.6 Financial position

The effect of the Offers on the financial position of the Company is set out in section 4.

2.7 Taxation considerations

The taxation consequences of an investment in the Company depend upon your particular circumstances. You should make your own enquiries about the taxation consequences of an investment in the Company. If you are in doubt about the course you should follow, you should consult your accountant, stockbroker, lawyer or other professional adviser.

2.8 Foreign selling restrictions

No action has been taken to register or qualify the New Shares, Convertible Notes, New Options or the Offers in any jurisdiction outside Australia and New Zealand, or otherwise to permit a public offering of the New Shares or New Options outside Australia and New Zealand.

The Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, the offer or invitation would be unlawful. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of those restrictions. Any failure to comply with the restrictions may constitute a violation of applicable securities laws.

Each Applicant warrants and represents that they will not offer or sell the New Shares, Convertible Notes or New Options in the United States or in any other jurisdiction outside Australia or New Zealand, or to a United States person, except in transactions exempt from registration under the US *Securities Act 1933* as amended, and in compliance with all applicable laws in the jurisdiction in which the New Shares, Convertible Notes and New Options are offered and sold.

2.9 Withdrawal

The Company reserves the right to withdraw the Offers, at any time before the allotment of New Shares, Convertible Notes and New Options. If the Offers do not proceed, the Application Money is refunded. No interest is paid on any Application Money refunded because of the withdrawal of the Offers.

2.10 Enquiries

If you have questions about the Offers please contact the Company Secretary on 07 3010 9393.

3 How to apply

3.1 Applying for New Shares, Convertible Notes and New Options

Completed Application Forms for New Shares, Convertible Notes and New Options must be mailed or delivered to the Company by the Closing Date set out in section 1.2 in accordance with the instructions provided by the Company to each Applicant.

The Opening Date and Closing Date for the Offers (as set out in section 1.2) are indicative only and subject to change without notice. The Company may vary these dates, including to close the Offers early, extend the Closing Date or to withdraw the Offers at any time prior to issue. If any of the dates are changed, subsequent dates may also change. You are encouraged to lodge your Application Form as soon as possible after the opening date.

3.2 Payment

The consideration for the New Shares, Convertible Notes and New Options is payable in full on application. The Application Form must be accompanied by the Application Money. The Company will contact potential investors with details regarding how payment can be made.

Receipts for payment will not be issued.

3.3 Application Form is binding

A completed and lodged Application Form, or a payment made through BPAY, constitutes a binding offer to acquire New Shares, Convertible Notes and/or New Options on the terms of this Prospectus and cannot be withdrawn.

If the Application Form is not completed correctly, it may still be treated as a valid application for New Shares, Convertible Notes and/or New Options. The Directors' (or their delegates) decision whether to treat an acceptance as valid and how to construe, amend or complete the Application Form is final.

By completing and returning your personalised Application Form with the requisite Application Money or making a payment by BPAY, you will also be taken to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that you:

- (a) are not a person to whom it would be illegal to make an offer or issue New Shares, Convertible Notes or New Options under the Offers; and
- (b) acknowledge that the New Shares have not been, and will not be, registered under the US *Securities Act of 1933* or under the laws of any other jurisdiction outside Australia or New Zealand.

3.4 Validity of Application Forms

An Application Form may only be distributed with, attached to or accompany a complete and unaltered copy of this Prospectus.

By completing and lodging an Application Form received with this Prospectus, the Applicant represents and warrants that the Applicant has personally received a complete and unaltered copy of this Prospectus before completing the Application Form.

The Company does not accept a completed Application Form if it has reason to believe the Applicant has not received a complete copy of the Prospectus or it has reason to believe that the Application Form has been altered in any way.

3.5 Brokerage and Stamp Duty

No brokerage fee is payable by Applicants who apply for New Shares, Convertible Notes or New Options. No stamp duty is payable for subscribing for New Shares, Convertible Notes or New Options under the Offers.

3.6 Information Availability

Applicants can obtain a copy of this Prospectus from TOY's website at www.toysrus.com.au or by calling the Share Registry on 1300 288 664 (within Australia) and +61 2 9698 5414 (outside Australia) at any time from 8.30am to 7.00pm (Sydney time) until the Closing Date.

4 Financial information

4.1 Historical and pro forma consolidated balance sheet as at 31 January 2024

Set out below is a summary of the unaudited historical financial information for TOY as at 31 January 2024 (**Historical Financial Information**) and a pro-forma historical statement of the financial position as at 17 May 2024 (**Pro Forma Historical Financial Information**) (collectively, **Financial Information**). The Financial Information has been prepared to illustrate the effect of the Offers.

	31 July 2023 Historical (Audited)	31 Jan 2024 Historical (Unaudited)	Feb 2024 Capital Raising	Mar 2024 Capital Raising	Cash Burn 1 Feb to 17 May 2024	17 May 2024 Pro forma Historical
	\$	\$	\$	\$	\$	\$
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	1,766,000	1,100,000	505,000	178,000	(602,000)	1,181,000
Trade and other receivables	837,000	371,000			(371,000)	0
Inventory and other current assets	5,113,000	1,047,000			(284,000)	763,000
Assets of group held for sale	3,119,000	1,692,000				1,692,000
TOTAL CURRENT ASSETS	10,835,000	4,210,000	505,000	178,000	(1,257,000)	3,636,000
NON-CURRENT ASSETS						
Property, plant and equipment	2,767,000	2,259,000				2,259,000
Goodwill and other intangibles	6,899,000	6,709,000				6,709,000
Other Non-Current Assets	2,935,000	2,756,000				2,756,000
Right of use assets	11,167,000	10,554,000			(306,000)	10,248,000
TOTAL NON-CURRENT ASSETS	23,768,000	22,278,000	0	0	(306,000)	21,972,000
TOTAL ASSETS	34,603,000	26,488,000	505,000	178,000	(1,563,000)	25,608,000
LIABILITIES						
CURRENT LIABILITIES						
Trade and other payables	3,405,000	1,880,000			(61,000)	1,819,000
Contract liabilities / deferred revenue	114,000	98,000			(98,000)	0
Borrowings	12,084,000	4,780,000			1,100,000	5,880,000
Lease Liabilities – short term	576,000	613,000				613,000
Employee Benefits	460,000	346,000				346,000
Provisions	280,000	280,000				280,000
Other current liabilities	2,044,000	912,000				912,000
Liabilities directly associated with disposal group held for sale	1,565,000	1,925,000				1,925,000
TOTAL CURRENT LIABILITIES	20,528,000	10,834,000	0	0	941,000	11,775,000
NON-CURRENT LIABILITIES						
Borrowings	526,000	10,873,000				10,873,000

Lease Liabilities – long term	11,284,000	10,955,000				10,955,000
Deferred tax liabilities	738,000	579,000				579,000
Employee benefits	9,000					0
TOTAL NON-CURRENT LIABILITIES	12,557,000	22,407,000	0	0	0	22,407,000
TOTAL LIABILITIES	33,085,000	33,241,000	0	0	941,000	34,182,000
NET ASSETS / (LIABILITIES)	1,518,000	(6,753,000)	505,000	178,000	(2,504,000)	(8,574,000)
EQUITY						
Issued capital	292,920,000	294,215,000	565,000	200,000		294,980,000
Reserves	476,000	457,000				457,000
Accumulated losses	(291,878,000)	(301,425,000)	(60,000)	(22,000)	(2,504,000)	(304,011,000)
TOTAL EQUITY/ (DEFICIENCY)	1,518,000	(6,753,000)	505,000	178,000	(2,504,000)	(8,574,000)

4.2 Basis of preparation of financial information

The stated basis of preparation for the Historical Financial Information is in accordance with the recognition and measurement principles of the Australian Accounting Standards.

The stated basis of preparation for the Pro Forma Historical Financial Information is in a manner consistent with the recognition and measurement principles of the Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in this section of the Prospectus, as if those events or transactions had occurred as at 31 January 2024.

4.3 Pro-forma adjustments to consolidated balance sheet

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information and has been prepared on the basis that the following significant transactions occurred as at 31 January 2024:

Material transactions since 31 January 2024:

- (a) February 2024 placement comprising of the issue of 84,615,385 Shares at an issue price of \$0.0065 per Share to raise gross proceeds of \$550,000 and the issue of 2,307,692 shares to JASZAC Investments Pty Ltd as consideration for advisory services at an issue price of \$0.0065 to raise gross proceeds of \$15,000, less estimated offer costs of \$60,000.
- (b) March 2024 placement comprising of the issue of 21,276,596 Shares to Mercer at an issue price of \$0.0094 per Share to raise gross proceeds of \$200,000 less offer costs of \$22,000.
- (c) Utilisation of existing cash between 1 February 2024 to 17 May 2024.
- (d) March 2024 acquisition of RIOT Arts and Crafts for \$300,000 in cash and the issue of 35,000,000 shares at \$0.01.
- (e) March 2024 \$600,000 unsecured loan from Mercer to assist with the acquisition of RIOT Arts and Crafts and working capital.
- (f) March 2024 the CEO Penny Cox provide funding to the company through a \$100,000 unsecured convertible loan.

Due to the nature of the pro forma adjustments, they do not represent the actual or prospective financial position of TOY.

4.4 Pro forma cash flow statement as at 31 January 2024

The Company's pro forma historical cash position at 31 January 2024 adjusted for the Offers is derived from actual cash as follows:

Cash as at 31 January 2024	\$1,100,000
Gross proceeds of the Offers	\$683,000
Cash utilisation from 1 February 2024 to 17 May 2024	(\$602,000)
Pro forma historical cash balance to 17 May 2024	<u>\$1,181,000</u>

5 Risk factors

5.1 Factors influencing success and risk

Introduction

This section identifies the major risks the Board believes are associated with an investment in TOY.

The TOY business is subject to risk factors, both specific to its business activities, and risks of a general nature. Individually, or in combination, these might affect the future operating performance of TOY and the value of an investment in the Company. There can be no guarantee that TOY will achieve its stated objectives or that any forward-looking statements will eventuate. An investment in the Company should be considered in light of relevant risks, both general and specific. Each of the risks set out below could, if it eventuates, have a material adverse impact on TOY's operating performance and profits, and the market price of the Shares.

Before deciding to invest in the Company, potential investors should:

- (a) read the entire Prospectus;
- (b) consider the assumptions underlying the risk factors that could affect the financial performance of TOY;
- (c) review these factors in light of their personal circumstances; and
- (d) seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

5.2 General market risks

Investors should be aware that the market price of TOY's securities may be influenced by a number of factors. General movements in local and international stock markets, exchange rates, prevailing economic conditions, investor sentiment and interest rates could all affect the market price of TOY's securities. These risks apply generally to any investment on the stock market.

In addition to the general risks associated with investing in the stock market, there are risks specific to investing in any particular entity. Some risks may be outside TOY's control and not capable of mitigation. If in doubt about the general or specific risks associated with TOY's securities, you should seek advice from your professional advisers.

Investment risks

Factors affecting the price at which TOY Shares are traded on ASX could include domestic and international economic conditions. In addition, the prices of a listed entity's securities are affected by factors that might be unrelated to its operating performance, such as general market sentiment.

Macro economic risks

TOY's operational and financial performance is affected by the Australian and other international economies and, in particular, the consumer markets within those economies. General and business conditions, inflation, interest rates, monetary and fiscal policy, political circumstances and currency exchange rates are all matters which may affect TOY's operating and financial performance.

Taxation risks

A change to the current taxation regime in Australia or in overseas jurisdictions in which TOY operates may affect TOY and its shareholders.

Accounting standards

Australian Accounting Standards are set by the Australian Accounting Standards Board (**AASB**) and are outside TOY's control. Changes to Accounting Standards issued by AASB could materially adversely affect the financial performance and position reported in TOY's financial statements.

5.3 Specific risks

Below is an analysis of some of the specific business risks facing TOY in the conduct of its activities. TOY is exposed to risks relevant to many businesses, including increasing competition, information systems failure risk and protection of intellectual property. This section is intended to be a concise summary of the key risks to TOY's business – not an exhaustive list of all possible risks.

Financial risk

If TOY is unable to manage its indebtedness and the restrictions applicable to it as a result of this indebtedness, its ability to implement its business strategy may be impaired and the results of its operations and financial condition may be adversely affected.

TOY may need to raise additional funds

TOY may require additional funds to satisfy its existing and future debt facilities and to invest in its other activities and future projects. Any further equity funds raised may result in a dilution in your shareholding. There is also a risk that TOY may not be able to raise further funds as and when required.

Operational risk

TOY is exposed to a range of operational risks including equipment failures and other accidents, industrial action or disputes, lease renewals, damage by third parties, floods, fire, major cyclone, earthquake, terrorist attack or other disaster. These risks may have a material adverse impact on TOY's financial performance and cash flows.

Sustainability of revenues and margins

The sustainability and growth in the level of TOY's revenue and profit margins is dependent on its continued ability to secure and maintain relationships with customers and suppliers. TOY relies on various key customer and supplier relationships and the loss or impairment of any of these relationships could have a material adverse effect on the Company's operations, financial condition and prospects.

Supply chain disruptions

TOY has established an extensive and reliable supply chain that allows it to procure and deliver products to customers in a timely and efficient manner. Disruption to any aspect of this supply chain could have a material adverse impact on TOY's operational and financial performance.

IT systems

TOY is reliant on the capability and reliability of its information technology systems and backup systems and those of its external service providers (such as communication carriers) to process transactions, manage inventory, report financial results and manage its business. The failure of any of TOY's or its customers' IT systems, including inventory management systems, could have a significant impact on TOY's ability to trade. Such failures may have an adverse effect on the Company's future financial performance.

Counterparty risk

Third parties, such as customers, suppliers and other counterparties to contracts may not be willing or able to perform their obligations to TOY. TOY provides credit to its customers and the inability of its customers to pay their debts may materially impact the Company's financial performance, position and prospects.

Loss of key personnel

TOY's business operations depend to a significant extent on its key personnel, in particular its senior management team. These individuals have extensive experience in, and knowledge of, the markets TOY operates in and TOY's business. The loss of key personnel and the time taken to recruit suitable replacement(s) or additional personnel could adversely affect the Company's future financial performance.

Product risk

The products TOY supplies to customers are subject to sales agreements with customers and must meet certain specifications. Despite controls and measures being in place, products may fall outside these specifications due to process failures, equipment malfunctions, or variability of inputs during the manufacturing and packaging processes, which could have a material adverse effect on the Company's reputation, financial condition and results of operations. Furthermore, TOY may be exposed to certain warranty and liability risks relating to defects in products. If any product it sells is defective or fails to meet the required specifications, the relevant customer may assert claims against the Company.

Occupational health and safety

TOY's operations are subject to health and safety laws and regulations. Failure to comply with these laws and regulations could result in enforcement action by regulatory authorities which could result in monetary penalties for the Company. In addition, any significant regulatory body investigation or enforcement of health and safety requirements could damage the Company's reputation as a responsible corporate citizen and employer or could result in suspension or closure of operations.

Intellectual property

There can be no assurances that the validity, ownership or authorised use of intellectual property including technology, know-how, trademarks, designs and patents (both owned and licensed) relevant to TOY's business may not be challenged.

Insurance

It is not always possible to obtain insurance against all risks and TOY may decide not to insure against certain risks as a result of high premiums or other reasons. The occurrence of an event that is not fully covered, or covered at all, by insurance, could have a materially adverse effect on the Company's financial position.

Consumer demand

TOY's operating and financial performance is dependent on consumer demand for its products. If the Company does not deliver products that appeal to consumers, or if there is a decline in consumer demand for its products, TOY's financial and operating performance could be materially adversely affected. If product input costs increase and TOY seeks to pass on such increases to consumers through higher prices, this could result in a reduction in consumer demand for TOY's products and a fall in revenue.

Retailer relationships

Any adverse change in TOY's existing relationships with key distributors and retailers could have a material adverse impact on its operations and financial performance. Any action by distributors or retailers to reduce their inventories could also result in a fall in revenue for TOY. The Company notes that two of its key retailers are currently implementing revised strategic plans, and TOY is expanding its distribution base domestically and internationally to diversify this potential risk.

Product sourcing and licensing

TOY relies on a range of parties for its product sourcing and licensing strategy. Any change in existing relationships (including termination of any key supply arrangements) or any change in terms or conditions of overseas suppliers and any change in the international political or economic environment may lead to material adverse changes to TOY's operational and financial performance.

Damage to brands

The reputation and value associated with TOY's and/or its licensors' brands could be adversely impacted by a range of factors and could have an adverse effect on the Company's future financial performance.

Interest rates and foreign exchange risks

Adverse movements in exchange rates may impact product costs and price competitiveness which may impact the operations and financial performance of TOY. Also, adverse fluctuations in interest rates may impact TOY's financial performance.

Competition

TOY competes in the toy, sporting and confectionary product segments in both Australia and overseas. The Company has a wide range of competitors including major international companies, and a large number of smaller companies. The actions of these competitors or changes in consumer preferences may adversely affect TOY's financial performance.

Litigation and disputes

Legal and other disputes may arise from time to time in the ordinary course of the Company's operations. Any such dispute may impact profitability or affect the value of TOY's assets.

5.4 Cautionary statement

Statements in this Prospectus may be forward looking statements.

Forward looking statements can be identified by the use of forward looking terminology such as, but not limited to, 'may', 'will', 'expect', 'anticipate', 'estimate', 'would be', 'believe', or 'continue' or the negative or other variations of comparable terminology. These statements are subject to

risks and uncertainties that could cause actual results to differ materially from those projected. The Directors' expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis. They are based on, among other sources, the examination of historical operating trends, data in the Company's records and other data available from third parties. There can be no assurance, however, that the Directors' expectations, beliefs or projections will give the results projected in the forward-looking statements. Investors should not place undue reliance on these forward-looking statements.

Additional factors that could cause actual results to differ materially from those indicated in the forward-looking statements are discussed earlier in this section.

6 Material agreements

6.1 Key documents

The Board considers that certain agreements relating to TOY are significant to the Offers, the operations of TOY or may be relevant to investors. A description of material agreements or arrangements, together with a summary of the more important details of each of these agreements is set out below.

6.2 Constitution

The following is a summary of the major provisions of the Company's constitution (**Constitution**):

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.

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.

Dividends and interim dividends

The Directors may pay any interim and final dividends.

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.

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.

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.

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.

Future increase in capital

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

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.

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.

Listing Rules

If the Company is admitted to trading on the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

6.3 Mercer agreements

(a) Mercer loan

The Company entered into a loan agreement with Mercer on 20 March 2024 (**Mercer Loan**). Under the Mercer Loan, Mercer provided a loan to the Company of \$600,000 with the loan principal plus an agreed interest amount of \$90,000 on the loan to be repaid in 6 months from the date of the Mercer Loan. The key details of the Mercer Loan are as follows:

- (i) Unsecured loan to the Company in the amount of \$600,000.
- (ii) The loan principal and an agreed interest amount of \$90,000 is repayable 6 months from the date of the Mercer Loan.
- (iii) The Company will also grant to Mercer unlisted options equal to 50% of the loan amount divided by 120% of the 10 day VWAP per Company share immediately prior to the date on which the options are issued, with a three year expiry and an exercise price equal to 120% of the 10 day VWAP per Company share immediately prior to the date on which the options are issued (**Loan Options**).
- (iv) No other interest is payable on the Mercer Loan.
- (v) The repayment of the Mercer Loan will have priority payment in relation to any subsequent capital raise by TOY exceeding \$2.5 million.
- (vi) In the event of a default by the Company, the Company must pay interest at a rate of 18% per annum on the amount outstanding. The relevant interest will accrue from the date of default, calculated daily and compounded monthly until the outstanding liability is satisfied.
- (vii) Shareholders should also note that the Mercer Loan agreement is subject to a number of operating restrictions, and termination provisions which may require repayment of the Mercer Loan prior to the end of the loan term. This includes where there is an event of default that is not remedied; there is a change of control of the Company under a takeover bid or scheme of arrangement; and/or there is an adverse change in law.
- (viii) The funding provided by Mercer will be used for general working capital expenses and for the acquisition of strategic assets and/or businesses.

(b) Mercer convertible securities agreement

The Company entered into a convertible securities agreement with Mercer on 20 March 2024 (**Mercer Convertible Securities Agreement**). Under the Mercer Convertible Securities Agreement, Mercer will pay to the Company \$700,000, pursuant to which, the Company will issue to Mercer:

- (i) 793,000 convertible notes with a face value of \$1 each as consideration for a \$700,000 investment by Mercer (**Convertible Notes**);
- (ii) shares in the Company for nil consideration for entering into the Mercer Convertible Securities Agreement equal to \$199,500 divided by the 10- day average VWAP immediately prior to the completion of the issue of the Convertible Securities (**Commencement Shares**); and

- (iii) unlisted options to purchase new Shares in the Company equal to 50% of the amount invested divided by 120% of the 10 day VWAP per Company share immediately prior to the issue of the Convertible Notes, with a three year expiry with an exercise price of 120% of the 10 day VWAP per share immediately prior to the issue of the Convertible Notes (**Convertible Security Options**).

Additionally, subject to agreement by Mercer and the Company subsequent tranches of convertible securities may be issued to Mercer as consideration for further investments by Mercer of up to \$3.5 million, subject to completion of certain conditions being met (**Subsequent Tranche**). Securities to be issued in respect of Subsequent Tranches are not offered under this Prospectus.

Using the Floor Price (defined below), the maximum number of shares into which the Convertible Notes may convert is 15,860,000 (on a post-Consolidation basis).

The funding provided by Mercer under the Convertible Securities Agreement will be used for general working capital expenses.

The material terms of the Mercer Convertible Securities Agreement are as follows:

- (i) Convertible Notes
- (A) If Mercer provides a conversion notice on or before the date that is two months after the date of execution of the Mercer Convertible Securities Agreement (**Execution Date**), the relevant Convertible Notes will convert into fully paid ordinary shares at 100% of the VWAP during the preceding ten (10) trading days on which Shares were traded on the ASX prior to the Execution Date (**Conversion Price A**). From two months after the Execution Date, the Convertible Notes will be convertible at the lesser of Conversion Price A, and 90% of the lowest VWAP during the preceding fifteen (15) trading days on which Shares were traded on the ASX immediately prior to notice of conversion by the investor, subject to a minimum conversion price of \$0.05 (on a post-consolidation basis) (the **Floor Price**).
 - (B) The Subsequent Tranches of convertible securities will convert into fully paid ordinary shares at the same conversion price as the Convertible Notes.
 - (C) The Convertible Notes have a term of 18 months from the draw down date and the Subsequent Tranche Convertible Notes have a term of 15 months from the draw down date.
 - (D) No interest is payable on the Convertible Notes or the undrawn funds.
 - (E) Mercer may convert any Convertible Notes at any time prior to maturity, by giving the Company a conversion notice, provided such conversion is for a face value in an amount equal to or greater than \$25,000 (unless the remaining face value of the Convertible Notes on issue is less than \$25,000, in which case for the full remaining value).
 - (F) The Company has the right to repurchase any unconverted convertible securities, at any time during the term of each tranche, at 105% of the outstanding face value. If the repurchase is elected, Mercer will have the right to convert up to 30% of any outstanding face value prior to settlement.

- (G) In the event of a default by the Company, the Company must pay interest at a rate of 18% per annum on the face value of all outstanding Convertible Notes. The relevant interest will accrue from the date of default, calculated daily and compounded monthly until the outstanding liability is satisfied.
- (ii) Commencement Shares
- (A) The number of Commencement Shares is, under the Mercer Convertible Securities Agreement, determined by dividing \$199,500 by the 10-day average VWAP immediately prior to the completion of the issue of the initial convertible securities (**Commencement Share VWAP**).
- (iii) Convertible Security Options
- (A) For each tranche, Mercer will receive a 50% option coverage to purchase new Shares in the Company (calculated using the relevant investment amount divided by 120% of the 10 day VWAP per Company share immediately prior to the relevant closing date (**Convertible Security Options VWAP**)). The options relating to the initial tranche of convertible securities will have an exercise price of an amount equal to 120% of the 10 day VWAP per share immediately prior to the first closing date. Any subsequent investment options will have an exercise price of an amount equal to 120% of the 10 day VWAP per Share immediately prior to the date of issue of those options.
- (B) The options will have a 36 month term and will be unlisted.
- (iv) Default

Shareholders should also note that the Mercer Convertible Securities Agreement is subject to a number of operating restrictions, and termination provisions which may prevent the Company drawing on the funding facility or requiring repayment of the Convertible Notes prior to maturity. This includes where there is an event of default that is not remedied; there is a change of control of the Company under a takeover bid or scheme of arrangement; and/or there is an adverse change in law or where the Company's shares are delisted from ASX.

6.4 RIOT agreement

On 20 March 2024, the Company announced that it has entered into an asset sale agreement (**Asset Sale Agreement**) to acquire certain intellectual property assets (including domain names, business names and trademarks) and stock on hand (**Assets**) from RIOT.

In consideration for the Assets, the Company agreed to:

- (a) pay to the relevant sellers \$247,000 in cash (**Cash Payment**);
- (b) issue Shares to the relevant sellers (or nominee) to the value of \$350,000 at an agreed price of \$0.010 per share (subject to shareholder approval, being 35,000,000 Shares (**RIOT Shares**)); and
- (c) issue to the relevant sellers (or nominee) further shares or options in TOY (based on performance), to the maximum value of \$500,000 per year for two years (**Earn Out**).

The transaction contemplated by the Asset Sale Agreement completed on 28 March 2024, as per the Company's announcement on the same day, with the Company having made the Cash Payment.

The Company obtained shareholder approval to issue the RIOT Shares on 17 May 2024. The RIOT Shares were issued to the relevant sellers on 21 May 2024. Sale offers of the RIOT Shares do not require disclosure under Part 6D.2 of the Corporations Act by operation of s708A(11) of the Corporations Act.

The Asset Sale Agreement also provides for Earn Out consideration payable by the Company. The Earn Out will be based on the 'Contribution Margin' achieved in relation to the RIOT assets, and will be paid in respect of each period commencing 1 July and ending 30 June, beginning on 1 July 2024, for two years (each an **Earn Out Consideration Period**), and determined as follows:

- (a) 90 days after the end of each Earn Out Consideration Period TOY must determine the 'Contribution Margin' for the relevant Earn Out Consideration Period, the 'Contribution Margin' being calculated as the revenue less costs and expenses (i.e. cost of goods, marketing and shipping costs), directly related to the operation of the RIOT assets acquired; and
- (b) the quantum of the Earn Out will be 10% of the relevant Contribution Margin for the relevant Earn Out Consideration Period.

In relation to each Earn Out Consideration Period, the Sellers may elect to be issued with shares in TOY, or options to acquire TOY shares. In the event that the sellers elect to be issued the Earn Out for a relevant period in the form of Shares, the number of shares to be issued will be determined by dividing the relevant Earn Out amount by the 15-day VWAP price of TOY shares as at the day prior to the proposed issue date.

In the event that the sellers elect to be issued the Earn Out for a relevant period in the form of options, the number of options will be determined as 1.5 times the number of shares which would have been issued if the sellers had elected to be issued with shares. The options will be issued for nil consideration and will have an exercise price equal to 150% of the 15-day VWAP of TOY shares as at the day prior to the date of issue of the option, and have an expiry date of 36 months from the date of issue.

The issue of shares or options under the Earn Out will be subject to shareholder approval at the time and which must be obtained within 60 days of the end of each relevant Earn Out Consideration Period, and otherwise in compliance with the ASX Listing Rules. The issue of shares or options under the Earn Out are not being put to shareholders for consideration at this time.

The Share consideration will be subject to voluntary escrow for 6 months from the date of completion of the Riot acquisition which completed on 28 March 2024. Any shares issued pursuant to the Earn Out (whether the sellers opt for shares to be issued, or options which are later exercised), will be subject to voluntary escrow for 6 months from, depending on the relevant Earn Out Consideration Period, 30 June 2025 and 30 June 2026 respectively, as applicable.

6.5 Chief Executive Officer agreement

On 20 March 2024, the Company entered into an unsecured convertible loan agreement with its Chief Executive Officer (**CEO**) Penelope Cox whereby it was agreed that Penelope Cox will provide \$100,000 of funding to the Company which, subject to shareholder approval and in accordance with the ASX Listing Rules, will convert the loan into new Shares in TOY at a conversion price of \$0.0094 per share being the same price under the March 2024 placement (**CEO Loan**).

The key terms of the CEO Loan are as follows:

- (a) Penelope Cox has provided a loan to the Company in the amount of \$100,000.
- (b) The Company has obtained the approval of its shareholders for the purposes of ASX Listing Rule 10.11 and for all other purposes in order to repay the loan in full by issuing shares to Penelope Cox, the number of which shall be equal to the loan amount divided by \$0.0094.
- (c) The loan principal is repayable in 12 months unless converted earlier into equity.
- (d) No other interest is payable on the loan.

6.6 Documents available for inspection

Copies of the following documents are available for inspection during normal office hours at the registered office of the Company for 13 months after the date of this Prospectus:

- (a) the constitution of TOY; and
- (b) the consents to the issue of this Prospectus.

7 Additional information

7.1 Continuous reporting and disclosure obligations

This Prospectus is a 'transaction specific prospectus' issued under section 713 Corporations Act and ASIC Corporations (Offers of Convertibles) Instrument 2016/83 as a prospectus for the issue of continuously quoted securities.

In general terms, a transaction specific prospectus is only required to contain information about the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information about all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

The Company is subject to regular reporting and disclosure obligations because it is a 'disclosing entity' for the purposes of the Corporations Act. Additionally, as a listed company, TOY is subject to the Listing Rules which require disclosure to ASX of any information the Company has which a reasonable person would expect to have a material effect on the price or value of its Shares.

Copies of ASX announcements are available on the ASX website or the Company's website at www.toysrus.com.au.

The Company's ASX announcements since 31 December 2023 to the date of this Prospectus are set out below.

Date	Announcements
22/05/2025	Consolidation Timetable and Mercer Securities
14/05/2024	Extraordinary General Meeting Results
18/04/2024	Investor Presentation
12/04/2024	Consolidation/Split - TOY
12/04/2024	Extraordinary General Meeting - Notice of Meeting
02/04/2024	Initial Director's Interest Notice - Smith
02/04/2024	Final Director's Interest Notice - Moore
02/04/2024	Completion of Riot Acquisition
28/03/2024	Application for quotation of securities - TOY
28/03/2024	Board and Director Changes
27/03/2024	Appendix 4D and 1H24 Financial Report
20/03/2024	Placement Prospectus
20/03/2024	Proposed issue of securities - TOY
20/03/2024	RIOT Art and Craft Acquisition and \$5.1M Funding Secured
18/03/2024	Trading Halt
29/02/2024	Appendix 4C and Quarterly Activities Report
27/02/2024	Change in substantial holding
26/02/2024	Application for quotation of securities - TOY
26/02/2024	Application for quotation of securities - TOY
21/02/2024	Appendix 3C
20/02/2024	Proposed issue of securities - TOY

Date	Announcements
20/02/2024	Proposed issue of securities - TOY
20/02/2024	Placement Prospectus
20/02/2024	Private Placement Raises \$550,000
16/02/2024	Trading Halt
05/02/2024	UK Exit and Renegotiation of Finance Facility
02/02/2024	Notification of cessation of securities - TOY
15/01/2024	Change in substantial holding
10/01/2024	Final Director's Interest Notice - Salom
03/01/2024	Director Resignation
02/01/2024	Change of Director's Interest Notice - Tripodi
02/01/2024	Change of Director's Interest Notice - Salom
02/01/2024	Change of Director's Interest Notice - Humphreys

In addition, copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

The information in the Annual Report and the ASX announcements described in the table above may be of interest to investors and their financial advisers as these documents contain information regarding the Company's financial position and operations that investors may consider relevant to any decision to apply for New Shares, Convertible Notes or New Options under the Offers.

The Directors rely upon section 712(3) Corporations Act with the inclusion by reference of the Annual Report and the Company's ASX announcements since 31 December 2023 set out in the table above, for the purposes of section 711 Corporations Act.

The Company will give free of charge, to any person who requests it before the Closing Date, a copy of the Annual Report and any continuous disclosure notices lodged by the Company from 31 December 2023 to the date of this Prospectus.

7.2 Rights attaching to New Shares

The rights attaching to the New Shares, which are the same as the Existing Shares, are set out in the Company's constitution and summarised in section 6.2 of this Prospectus.

7.3 Existing Options

Existing Options	Exercise price	Expiry date
1,696,717	\$0.166	1 November 2024
1,691,956	\$0.138	1 May 2025
1,726,173	\$0.199	1 November 2025

The Board considers it is unlikely that any Existing Options will be exercised before the Closing Date. However, if any Existing Options are exercised before the Closing Date, any proceeds raised will be applied to the general working capital of TOY.

7.4 Litigation

To the best of the Directors' knowledge and belief, no litigation, mediation, conciliation or administrative proceeding is taking place, pending or threatened against the Company.

7.5 Consents and disclaimers of responsibility

None of the parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Prospectus, other than the reference to its name and the statement included in this Prospectus with the consent of that party, as specified below.

McCullough Robertson has given, and has not withdrawn, its written consent to be named as lawyers to the Company in the form and context in which it is named.

7.6 Interests of experts and advisers

Except as set out in this Prospectus:

- (a) no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has any interest or has had any interest during the last two years:
 - (i) in the formation or promotion of TOY;
 - (ii) in property acquired or proposed to be acquired by TOY in connection with its formation or promotion or the offer of the New Shares, or
 - (iii) the offer of the New Shares; and
- (b) no amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus in connection with the services provided by the person in connection with the:
 - (i) formation or promotion of TOY, or
 - (ii) offer of the New Shares.

McCullough Robertson has acted as legal adviser to the Company for the Offers and has provided legal advice on the Offers. McCullough Robertson will be paid an amount of \$10,000.00 (excluding GST and disbursements) for these services.

7.7 Substantial Shareholders

The following Shareholders have a substantial holding in TOY:

Shareholder	Shares	Percentage interest
Citicorp Nominees Pty Ltd	222,221,300	20.37%
Hobby Warehouse Holdings Pty Ltd and its Associates	98,946,949	9.17%
JASZAC Investments Pty Ltd and its Associates	136,788,234	12.04%

7.8 Interests of Directors

Other than as set out above or elsewhere in this Prospectus:

- (a) no Director or proposed Director of TOY has, or has had in the two years before lodgment of this Prospectus, any interest in:
 - (i) the formation or promotion of TOY;
 - (ii) any property acquired or proposed to be acquired by TOY in connection with the formation or promotion or the offer of the New Shares; or
 - (iii) the offer of the New Shares, and
- (b) no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director of TOY either:
 - (i) to induce him or her to become, or to qualify him or her as, a Director, or
 - (ii) otherwise for services rendered by him or her in connection with the formation or promotion of TOY or the offer of the New Shares.

Shareholdings

The Directors or their associates have a beneficial interest in the following Shares and Existing Options at the date of this Prospectus:

Director	Shareholder	Direct Shares	Indirect Shares	Existing Options	Service Rights
John (Giovanni Antonio) Tripodi	Held directly	110,803	0	0	500,000
	Held Indirectly	0	0	0	8,181,816
Kelly Humphreys	Held directly	0	0	0	8,181,816
	Held Indirectly	3,500,000	0	0	0
Teresa Smith	N/A	0	0	0	0

Payments to Directors

The constitution of TOY provides that the Directors may be paid, as remuneration for their services, a sum set from time to time by the Shareholders in general meeting, with that sum to be divided among the Directors as they agree.

The maximum aggregate amount which has been approved by the Shareholders for payment to the Directors is \$500,000 per annum. The current non-executive directors' fees are \$90,000 per annum for the Chairman and \$60,000 per annum for each of the non-executive directors.

7.9 Expenses of the Offer

The total estimated expenses of the Offers payable by the Company including ASX and ASIC fees, accounting fees, legal fees, Share Registry fees, printing costs, public relations costs and other miscellaneous expenses are estimated to be \$5,000.

7.10 Allotment

TOY will apply within seven days from the date of this Prospectus for quotation of the New Shares on ASX. It is expected that allotment of the New Shares under the Offers will take place no more than five Business Days after the close of the Offers.

Application Money will be held by TOY on trust for Applicants until the New Shares are allotted. No interest will be paid on Application Money.

It is the responsibility of Applicants to work out the number of New Shares allotted and issued to them before trading the New Shares. The sale by an Applicant of New Shares before receiving their holding statement is at the Applicant's own risk.

7.11 CHESS

The Company will apply for the New Shares to participate in CHESS. An Applicant who is issued New Shares under the Offers will receive a shareholding statement instead of a share certificate. It sets out the number of New Shares issued to the successful Applicant.

The shareholding statement also provides details of the Shareholder's HIN (in the case of a holding on the CHESS sub-register) or SRN (in the case of a holding on the issuer sponsored sub-register).

Shareholders need to quote their HIN or SRN, as applicable, in all dealings with a stockbroker or the Share Registry. Further statements are given to Shareholders showing changes in their shareholding during a particular month. Additional statements may be requested at any time, although the Company reserves the right to charge a fee for them.

7.12 Privacy

Applicants may be asked to give personal information to TOY directly, and through the Share Registry, such as name, address, telephone and fax numbers, tax file number and account details. The Company and the Share Registry collect, hold and use that personal information to provide facilities and services to Applicants and undertake administration. Access to information may be disclosed by the Company to its agents and service providers on the basis that they deal with the information under the *Privacy Act 1988* (Cth). The Company's privacy policy sets out how Shareholders may request access to and correction of their personal information held by or on behalf of the Company (by contacting the Share Registry), how Shareholders can complain about privacy related matters and how the Company responds to complaints.

7.13 Authorisation

This Prospectus is issued by the Company. Each Director has consented to the lodgment of the Prospectus with ASIC.

Dated 23 May 2024

Kelly Humphreys
Non-Executive Director

Glossary

Accounting Standards	means: (a) accounting standards as that term is defined in the Corporations Act; and (b) to the extent not inconsistent with paragraph (a), generally accepted Australian accounting principles which are consistently applied.
Annual Report	means the annual report of the Company for the financial year ended 30 July 2023 which includes audited financial statements for the financial year ended 31 July 2023 and the auditor's report, which was lodged with ASX and ASIC on 29 September 2023.
Applicant	means each of Mercer (in respect of the Mercer Offer) and the Company's Chief Executive Officer (in respect of the Chief Executive Officer Offer) who submits an Application Form.
Application Form	means an application form accompanying this Prospectus.
Application Money	means the money received by the Company under the Offers as required by the terms of the Offers.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
ASX Settlement	means ASX Settlement Pty Limited ABN 49 008 504 532 (the body which administers the CHES system in Australia).
Board	means the board of directors of the Company.
Business Day	means a business day as defined in the Listing Rules.
CHES	means Clearing House Electronic Subregister System, operated by ASX Settlement.
Chief Executive Officer Offer	means the issue of the Chief Executive Officer Shares pre-Consolidation as approved by Shareholders at the general meeting held on 17 May 2024.
Chief Executive Officer Shares	means 10,638,298 Shares at an issue price of \$0.0094 per New Share.
Closing Date	means 3 June 2024.
Company or TOY	means Toys'R'Us ANZ Limited ACN 063 886 199.
Convertible Notes	means up to 793,000 redeemable, unsecured, convertible notes offered by TOY under this Prospectus with a face value of \$1, to be exercised before the Maturity Date.
Convertible Security Options	means up to 41,666,667 convertible security options offered by TOY on a pre-Consolidation basis (4,166,667 on a post-Consolidation basis) to Mercer under this Prospectus, expiring on the New Option Expiry Date.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Directors	means the directors of the Company.
Existing Options	means the Options already on issue in TOY and referred to in section 7.3 of this Prospectus.

Existing Shareholders	means the holders of Shares before the date of this Prospectus.
Existing Shares	means the Shares already on issue in TOY.
Listing Rules	means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
Loan Options	means up to 71,428,571 loan options offered by TOY on a pre-Consolidation basis (7,142,858 on a post-Consolidation basis) under this Prospectus to Mercer, expiring on the New Option Expiry Date.
Maturity Date	means the date that is 18 months after the issue of Convertible Notes under this Prospectus.
Mercer	means Mercer Street Global Opportunity Fund II LP.
Mercer Offer	means the issue of the: (a) Mercer Shares; (b) Convertible Notes; (c) Convertible Security Options; and (d) Loan Options, as approved by Shareholders at the general meeting held on 17 May 2024.
Mercer Shares	means up to 28,500,000 Shares offered by TOY on a pre-Consolidation basis (2,850,000 on a post-Consolidation basis) to Mercer under this Prospectus.
New Options	means the: (a) Convertible Security Options; and (b) Loan Options, to be issued by TOY under this Prospectus (or any one of them, as the context may require).
New Option Expiry Date	means the date that is three years after the issue of New Options under this Prospectus.
New Shares	means the: (a) Mercer Shares; and (b) Chief Executive Officer Shares, to be issued by TOY under this Prospectus (or any one of them, as the context may require).
Offers	means the: (a) Mercer Offer; and (b) Chief Executive Officer Offer, (or any one of them, as the context may require).

Offer Price	<p>means:</p> <p>(a) in respect of the Chief Executive Officer Offer, \$0.0094 per Share; and</p> <p>(b) in respect of the Convertible Notes, an investment amount of approximately \$0.8827 each (representing a total investment amount of \$700,000 for the issue of Convertible Notes with a face value of \$793,000).</p> <p>There is no Offer Price payable in respect of Mercer Shares, Convertible Security Options and Loan Options in accordance with the terms set out in the Mercer Convertible Securities Agreement.</p>
Option	means an option in the Company to subscribe for a Share.
Prospectus	means this prospectus.
RIOT	means Riot HoldCo Pty Ltd ACN 656 220 058 and Riot IP Pty Ltd ACN 656 219 822.
RIOT Shares	means 35,000,000 Shares at an issue price of \$0.010 issued to members of RIOT on 21 May 2024.
Share Registry	means Automic Pty Ltd ACN 152 260 814.
Shareholders	means shareholders in TOY.
Shares	means fully paid ordinary shares in TOY.
Us or we	means the Company.
VWAP	means volume-weighted average price.
You	means the investors under this Prospectus.

Company

Toys'R'Us ANZ Limited ACN 063 886 199
Level 8, 210 George St
Sydney, NSW 2000
Tel: +61 3 9081 9100
www.toysrus.com.au

Directors and executives

Mr John (Giovanni Antonio) Tripodi - Non-Executive Director
Ms Kelly Humphreys - Non-Executive Director
Ms Penny Cox - Chief Executive Officer
Ms Teresa Smith - Non-Executive Director

Company Secretary

Kim Clark

Share Registry

Automic Pty Ltd ACN 152 260 814
Tel: +61 2 9698 5414
Within Australia: 1300 288 664
Outside Australia: +61 2 9698 5414
www.automicgroup.com.au

Lawyers to the Offer

McCullough Robertson
Level 11, 66 Eagle Street
Brisbane, QLD 4000
www.mccullough.com.au

INSTRUCTIONS FOR COMPLETING THE FORM

This is an Application Form for new securities in Toys "R" Us ANZ Limited ACN 063 886 199, per the terms of the Prospectus lodged 23 May 2024.

- Shares Applied For & Payment Amount** - Enter the number of Shares & the amount of the application monies payable you wish to apply for.
- Applicant Name(s) and Postal Address** - The Application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. Refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
- Contact Details** - Please provide your contact details for us to contact you between 8:30am and 7:00pm (AEDT) should we need to speak to you about your application. In providing your email address you elect to receive electronic communications.
- CHESSE Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold Shares allotted to you under this Application on the CHESSE subregister, enter your CHESSE HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" (SRN) will be allocated to you.
- TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
- Payment** - Payments for applications made using this application form can only be made by Electronic Funds Transfer (EFT), details below. Do not forward cash with this Application Form as it will not be accepted.

DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, I/WE DECLARE THAT I/WE:

- Have completed this Application Form in accordance with the instructions on the form;
- Declare that the Application Form and all details and statements made by me/us are complete and accurate;
- I/we agree to provide further information or personal details, including information related to tax-related requirements, and acknowledge that processing of my application may be delayed, or my application may be rejected if such required information has not been provided;
- Where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- Authorise the Company and their agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated;
- Agree to be bound by the Constitution of the Company; and
- Acknowledge that neither the Company nor any person or entity guarantees any particular rate of return of the Shares, nor do they guarantee the repayment of capital.

LODGEMENT INSTRUCTIONS

EMAIL: Please send your completed Application Form and payment receipt to kim.larkin@boardroomlimited.com.au

PAYMENT: You can pay by Electronic Funds Transfer "EFT"

The unique reference which has been assigned to your Application is: [Registration Name]-TOY

Funds are to be deposited directly to following bank account:

Account name: Toys"R"Us ANZ Limited

Account BSB: 033-065

Account number: 565 126

Bank: Westpac

Important:

You must quote your unique reference as your payment reference/ description when processing your EFT payment. Failure to do so may result in your funds not being allocated to your Application and New Shares subsequently not issued.

You must provide a copy of your payment receipt, that shows the unique reference, payment amount, sender, and date.

If you require further information about the Offer, please contact Kim Larkin by either phone on +61 7 3010 9393 between 10:00am and 6:00pm (AEDT), or via email at kim.larkin@boardroomlimited.com.au.