



27th January 2015

Simone Papas

Advisor, Listing Compliance (Melbourne)

ASX Compliance PTY LTD

Level 4, North Tower Rialto

525 Collins Street

Melbourne Vic

Re: Funtastic Limited price query

Dear Simone,

I write in response to your letter dated 23rd January 2015 in which you query the recent change in the value of the Funtastic share price and increase in volumes of trading on 23rd January 2015.

Using the numbering in your letter, I respond as follows:

1. The company is aware that an Institutional Shareholder was required to reduce their shareholding in the company and had been active in the process since mid-December, which is (to the best knowledge of the company) not based on any market sensitive information regarding the company. In terms of market expectations relating to the company's earnings for the 6 month period ending 31 January 2015, the company did not provide any guidance to the market. Whilst the first half performance will differ from the same period last year, the comparative business is also different due to the disposal of a significant division in the second half of last financial year.

The company is not aware of any connection between the sale by the Institutional Shareholder referred to above and the company's first half earnings, nor has the Company disclosed or given any earnings guidance for the period to anyone.

2. The company's knowledge of the sale of shares by an Institutional Shareholder is not information that the company is required to announce under Listing Rule 3.1. The company's half year earnings remain confidential.

It would be premature for the company to make an announcement regarding the company's earning guidance for FY15 until after the conclusion of the quarter, following which the company will finalise the first half results and as the second half performance becomes less uncertain.



Whilst the company is not yet in a position to make definitive announcements prior to the end of this 6 month period, for period ending January 31st 2015 the company anticipates reporting revenues of between \$50m and \$54m and an EBITDA loss of between \$2.5m and \$4.5m, with a number of issues of a financial nature which could impact these numbers. This expected loss is due to the deterioration in the company's second quarter performance which has primarily been driven by:

- Softer than expected international sales.
- Lower domestic margins.
- Additional one-off rationalisation costs.

A number of initiatives have been implemented to ensure the company returns to profitability in the second half of FY15. These include:

- A number of new products which have been secured that will increase sales in both Australia and our key International markets upon launch.
- The continued expansion of the Chill Factor range of products.
- Ongoing benefits derived from the earlier implementation of cost savings initiatives.

The company will report its financial results for the 6 month period ending January 31st 2015 towards the end of March 2015. The company will provide further commentary about the outlook for the remainder of FY15 with the release of the first half results.

3. The company believes that the recent trading in the shares is likely to have been driven by the Institutional Shareholder transactions detailed in the answer to question 1.
4. The Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Yours sincerely

Grant Mackenzie
CFO, COO & Company Secretary
Funtastic Limited

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23 January 2015

Mr Grant Mackenzie
Company Secretary
Funtastic Limited

By email only

Dear Grant

Funtastic Limited (the "Entity"): ASX price query

We have noted a change in the price of the Entity's securities from a close of 3.7 cents at the close of trading on 22 January 2015 to a low of 3.0 cents at the time of writing today. We have also noted an increase in the volume of trading in the Entity's securities over this period.

In light of the price change and increase in volume of trading, ASX asks you to respond separately to each of the following questions:

1. Is the Entity aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?

In responding to this question, please consider in particular whether the Entity is aware of any information that its earnings for the 6 month period ending on 31 January 2015:

- a) are likely to differ materially (downwards or upwards) from any earnings guidance it has given for the period; or
- b) if the Entity has not given any earnings guidance for the period, are otherwise likely to come as a surprise to the market (by reference to analyst forecasts for the period or, if the Entity is not covered by analysts, its earnings for the prior corresponding period)?

2. If the answer to question 1 is "yes":

- a) Is the Entity relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1?

Please note that the recent trading in the Entity's securities would suggest to ASX that such information may have ceased to be confidential and therefore the Entity may no longer be able to rely on Listing Rule 3.1A. Accordingly, if the answer to this question is "yes", you need to contact us immediately to discuss the situation.

- b) Can an announcement be made immediately?

Please note, if the answer to this question is "no", you need to contact us immediately to discuss requesting a trading halt (see below).

- c) If an announcement cannot be made immediately, why not and when is it expected that an announcement will be made?

3. If the answer to question 1 is “no”, is there any other explanation that the Entity may have for the recent trading in its securities?
4. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9.30 a.m. AEDT Tuesday 27 January 2015. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail or by facsimile. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, or if the answer to question 1 is “yes” and an announcement cannot be made immediately, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Simone Papas
Adviser, Listings Compliance (Melbourne)

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