

Notice of Annual General Meeting and Explanatory Notes

Funtastic Limited ACN 063 886 199

Date: Friday 4 December 2015
Time: 10:00am AEDT
Place: Funtastic Head Office
Level 2, Tower 2, Chadstone Place
1341 Dandenong Road, Chadstone Victoria

Important notice

In this document you will find:

1. Notice of Annual General Meeting; and
2. Explanatory Notes containing an explanation of, and information about, the resolutions to be put to the meeting.

A Proxy Form is also enclosed with the Notice of Annual General Meeting and Explanatory Notes.

The Explanatory Notes contain an explanation of, and information about, the matters to be considered at the Annual General Meeting of Funtastic Limited. The Explanatory Notes are given to Funtastic Limited's shareholders to help them determine how to vote on the resolutions set out in the accompanying Notice of Meeting.

Shareholders should read this document in full.

This document is dated 2nd November 2015.

Notice of Annual General Meeting

Notice is given that the annual general meeting of shareholders of Funtastic Limited (ACN 063 886 199) (**Funtastic** or **the Company**) will be held on Friday 4 December 2015, at Funtastic Head Office, Level 2, Tower 2, Chadstone Place, 1341 Dandenong Road, Chadstone, Victoria, commencing at 10:00am AEDT.

Ordinary Business

1. Financial statements and reports

To receive and consider:

- (a) the financial statements;
- (b) the Directors' report; and
- (c) the auditor's report,

in respect of the year ending 31 July 2015.

2. Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'In accordance with Section 250R of the Corporations Act, the Company adopts the Remuneration Report as set out in the Directors' report on pages 20 to 30 of the 2015 Annual Report, for the year ending 31 July 2015.'

Note:

The vote on this resolution is advisory only and does not bind the Directors of the Company.

Voting Exclusion Statement:

- (a) The Company's key management personnel and their closely related parties must not cast a vote on the Remuneration Report unless the vote is cast as a proxy on behalf of a person who is entitled to vote on this resolution and either:
 - (i) the Proxy Form specifies the way the proxy is to vote on this resolution; or
 - (ii) the proxy is the Chairman and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on this resolution; and
 - (ii) expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company.
- (b) The Chairman intends to vote all undirected proxies (where he has been appropriately authorised) in favour of this resolution. If you wish to vote against this resolution or you wish to abstain from voting on this resolution you should mark the relevant box in the attached Proxy Form. Please see the directions on the Proxy Form relating to authorisation of the Chairman to vote undirected proxies.

3. Re-election of Director, Mr Stephen Heath

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That Mr Stephen Heath, a Director retiring in accordance with Rule 35(c) of the Constitution, and being eligible, is re-elected as a Director of Funtastic.'

The Chairman intends to vote all undirected proxies in favour of this resolution. The Company will also disregard any votes cast on this resolution in respect of the shares proposed to be cancelled pursuant to the resolution in Item 6.

4. Re-election of Director, Ms Linda Norquay

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That Ms Linda Norquay, a Director retiring in accordance with Rule 35(c) of the Constitution, and being eligible, is re-elected as a Director of Funtastic.'

The Chairman intends to vote all undirected proxies in favour of this resolution. The Company will also disregard any votes cast on this resolution in respect of the shares proposed to be cancelled pursuant to the resolution in Item 6.

Special Business

5. Refresh Approval of Funtastic Employee Share Loan Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That, for the purposes of section 260C(4) of the Corporations Act and Exception 9 of ASX Listing Rule 7.2, and for all other purposes, the Company approves the "Funtastic Employee Share Loan Plan" (ESLP) a summary of which is set out in the Explanatory Notes, and the issue of securities under the ESLP, as an exception to ASX Listing Rule 7.1.'

Voting Exclusion Statement:

Funtastic will disregard any votes cast on this resolution by any Director eligible to participate in the ESLP as well as any votes cast by any associate of any such Director. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the Proxy Form to vote as the proxy decides.

Further, the Company's key management personnel and their closely related parties must not cast a vote on this resolution unless the vote is cast as a proxy on behalf of a person who is entitled to vote on this resolution and either:

- (c) the Proxy Form specifies the way the proxy is to vote on the resolutions; or
- (d) the proxy is the Chairman and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on this resolution; and

- (ii) expressly authorises the Chairman to exercise the proxy even if this resolution is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company.

The Chairman intends to vote all undirected proxies (where he has been appropriately authorised) in favour of this resolution. If you wish to vote against this resolution or you wish to abstain from voting on this resolution you should mark the relevant box in the attached Proxy Form. Please see the directions on the Proxy Form relating to authorisation of the Chairman to vote undirected proxies.

6. Cancellation of Shares Issued to the Executive Directors (Mr Nir Pizmony and Mr Grant Mackenzie) under the Funtastic Employee Share Loan Plan on 31 July 2015 and 19 October 2015

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

'That, for the purposes of section 256C of the Corporations Act, the Constitution, and for all other purposes, approval is given for the Company to make a selective reduction of capital and cancel a total of 18,800,000 fully paid ordinary shares with effect from the date that is 14 days after this Resolution is lodged with ASIC on the terms and conditions set out in the Explanatory Notes.'

Voting Exclusion Statement:

Funtastic will disregard any votes cast on this resolution by a person who:

- (a) is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on Shares is to be reduced; or
- (b) received the shares subject to cancellation pursuant to this resolution,
- or by any of their respective associates.

However, the Company need not disregard a vote if:

- (c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the Proxy Form to vote as the proxy decides.

Further, the Company's key management personnel and their closely related parties must not cast a vote on this resolution unless the vote is cast as a proxy on behalf of a person who is entitled to vote on this resolution and either:

- (e) the Proxy Form specifies the way the proxy is to vote on the resolutions; or
- (f) the proxy is the Chairman and the appointment of the Chairman as proxy:
- (i) does not specify the way the proxy is to vote on this resolution; and
- (ii) expressly authorises the Chairman to exercise the proxy even if this resolution is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company.

The Chairman intends to vote all undirected proxies (where he has been appropriately authorised) in favour of this resolution. If you wish to vote against this resolution or you wish to abstain from voting on this resolution you

should mark the relevant box in the attached Proxy Form. Please see the directions on the Proxy Form relating to authorisation of the Chairman to vote undirected proxies.

7. Approval of Issue of Shares to Mr Nir Pizmony Under the Employee Share Loan Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That, subject to and conditional on the passing of the resolution in Item 6, and for the purposes of ASX Listing Rule 10.12 and 10.14 and for all other purposes, approval is given for the issue of 15,500,000 fully paid ordinary shares to Mr Nir Pizmony or his nominee, as set out in the Explanatory Notes and pursuant to the ESLP and in accordance with the terms and conditions of the ESLP, a summary of which is set out in the Explanatory Notes.'

Voting Exclusion Statement:

Funtastic will disregard any votes cast on this resolution by any executive Director of Funtastic and, if ASX has expressed an opinion under Listing Rule 10.14.3 that approval is required for participation in the ESLP by anyone else, that person, and any of their respective associates. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further, the Company's key management personnel and their closely related parties must not cast a vote on this resolution unless the vote is cast as a proxy on behalf of a person who is entitled to vote on this resolution and either:

- (c) the Proxy Form specifies the way the proxy is to vote on the resolutions; or
- (d) the proxy is the Chairman and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on this resolution; and
 - (ii) expressly authorises the Chairman to exercise the proxy even if this resolution is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company.

The Chairman intends to vote all undirected proxies (where he has been appropriately authorised) in favour of this resolution. If you wish to vote against this resolution or you wish to abstain from voting on this resolution you should mark the relevant box in the attached Proxy Form. Please see the directions on the Proxy Form relating to authorisation of the Chairman to vote undirected proxies.

8. Approval of Issue of Shares to Mr Grant Mackenzie Under the Employee Share Loan Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That, subject to and conditional on the passing of the resolution in Item 6, and for the purposes of ASX Listing Rule 10.12 and 10.14 and for all

other purposes, approval is given for the issue of 3,300,000 fully paid ordinary shares to Mr Grant Mackenzie or his nominee, as set out in the Explanatory Notes and pursuant to the ESLP and in accordance with the terms and conditions of the ESLP, a summary of which is set out in the Explanatory Notes.'

Voting Exclusion Statement:

Funtastic will disregard any votes cast on this resolution by any executive Director of Funtastic and, if ASX has expressed an opinion under Listing Rule 10.14.3 that approval is required for participation in the ESLP by anyone else, that person, and any of their respective associates. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further, the Company's key management personnel and their closely related parties must not cast a vote on this resolution unless the vote is cast as a proxy on behalf of a person who is entitled to vote on this resolution and either:

- (c) the Proxy Form specifies the way the proxy is to vote on the resolutions; or
- (d) the proxy is the Chairman and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on this resolution; and
 - (ii) expressly authorises the Chairman to exercise the proxy even if this resolution is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company.

The Chairman intends to vote all undirected proxies (where he has been appropriately authorised) in favour of this resolution. If you wish to vote against this resolution or you wish to abstain from voting on this resolution you should mark the relevant box in the attached Proxy Form. Please see the directions on the Proxy Form relating to authorisation of the Chairman to vote undirected proxies.

2015 Voting

Entitlement to vote

The Directors have decided that for the purpose of determining entitlements to vote at the Annual General Meeting, Shares will be taken to be held by the persons who are the registered holders at 7pm AEDT on Wednesday, 2 December 2015. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to vote at the meeting.

Proxies

1. A shareholder who is entitled to attend and vote at the meeting may appoint up to two proxies to attend and vote on behalf of that shareholder. If you require an additional Proxy Form, please contact Boardroom Pty Limited at the address below.
 2. If a shareholder appoints two proxies, the appointment of the proxies may specify the proportion or the number of that shareholder's votes that each proxy may exercise. If the appointment does not so specify, each proxy may exercise half of the votes. Fractions of votes will be disregarded.
 3. Where a shareholder appoints more than one proxy, neither proxy is entitled to vote on a show of hands.
 4. A proxy need not be a shareholder of Funtastic.
 5. To be effective, Funtastic must receive the completed Proxy Form and, if the form is signed by the shareholder's attorney, the authority under which the Proxy Form is signed (or a certified copy of the authority) by no later than 10.00am (Melbourne time) on Wednesday, 2 December 2015.
 6. Proxies may be lodged with the Company's share registry, Boardroom Pty Limited using the reply paid envelope provided or:
 - BY MAIL -** Share Registry – Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia
 - BY FAX -** +61 2 9290 9655
 - IN PERSON -** Share Registry – Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000 Australia
- Vote online at:** www.votingonline.com.au/funtasticagm2015
7. Proxies given by corporate shareholders must be executed in accordance with their constitutions or signed by a duly authorised officer or attorney.
 8. A proxy may decide whether to vote on any motion except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on an item of business the proxy may vote as he or she thinks fit.

9. If a shareholder appoints the Chairman of the meeting as the shareholder's proxy using the attached Proxy Form and does not specify how the Chairman is to vote on an item of business, the Chairman will be authorised to vote as he decides on all resolutions. The Chairman intends to vote all such proxies in favour of all resolutions. However, the Chairman will not vote such proxies to the extent that the shareholder is restricted by law from voting on any resolutions.
10. If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it appoints an individual as its corporate representative to exercise its powers at the meeting and provides satisfactory evidence of the appointment of its corporate representative.
11. Please refer to other notes appearing on the enclosed Proxy Form.

Corporate representatives

A shareholder that is a body corporate may appoint an individual to act as its representative at the meeting. Unless otherwise specified in the appointment, the representative may exercise all or any of the powers that the body corporate may exercise at the meeting or in voting on a resolution.

Appointments may be lodged in advance of the meeting at Funtastic's share registry (details above), or handed in at the meeting when registering.

The accompanying Explanatory Notes form part of this Notice of Meeting.

By order of the Board

Date 2 November 2015

Signed



Name Grant Mackenzie
Company Secretary

Explanatory Notes

These Explanatory Notes are intended to provide shareholders of Funtastic with information to assess the merits of the proposed resolutions in the accompanying Notice of Meeting.

The Directors recommend that shareholders read these Explanatory Notes in full before making any decision in relation to the resolutions.

Ordinary Business

1. Financial statements and reports

The *Corporations Act 2001* (Cth) (**Corporations Act**) requires the financial report (which includes the financial statements and Directors' declaration), the Directors' report and auditor's report to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or the Constitution for shareholders to approve the financial report, the Directors' report or the auditor's report.

Shareholders will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports, and on the business and operations of Funtastic. Shareholders will also be given a reasonable opportunity at the meeting to ask the Company's auditor, Deloitte Touche Tohmatsu (**Deloitte**), questions about the auditor's report, the conduct of its audit of the Company's financial report for the year ended 31 July 2015, the preparation and content of the auditor's report, the accounting policies adopted by the Company in its preparation of the financial statements and the independence of Deloitte in relation to the conduct of the audit.

The financial report and the Directors' and auditor's reports relate to the year ending 31 July 2015.

The Directors unanimously recommend that shareholders vote in favour of adopting the financial statements and reports.

2. Remuneration Report

As required by the Corporations Act, the Board is presenting the Company's Remuneration Report to shareholders for consideration and adoption by a non-binding vote.

The Remuneration Report is included in the Directors' report and set out on pages 20 to 30 of the 2015 Annual Report. It is also available from the Company's website (www.funtastic.com.au).

The Remuneration Report:

- describes the policies behind, and structure of, the remuneration arrangements of the Company and the link between the remuneration of employees and the Company's performance;
- sets out the remuneration arrangements in place for each Director and for specified senior executives of the Company; and

- explains the difference between the basis for remunerating non-executive Directors and executives, including executive Directors.

The vote on this resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of Funtastic.

Shareholders will be given the opportunity to ask questions and to make comments on the Remuneration Report.

The Directors unanimously recommend that shareholders vote in favour of adopting the Remuneration Report.

3. Re-election of Director, Mr Stephen Heath

Appointed to the Board in October 2010 as an Independent Non-executive Director. Mr Heath is a member of the Audit, Risk and Compliance Committee, the Nomination Committee and Chairman of the Remuneration and Evaluation Committee.

Mr Heath has extensive retail experience comprising 18 years across iconic Australian retail brands including Harvey Norman, Rebel Sport, and Godfreys. Mr Heath is currently Managing Director & CEO of Fantastic Holdings Limited. Previous to his current appointment Stephen was Managing Director of International Cleaning Solutions Holdings. Mr Heath was CEO of Rebel Sport during its public listing on the ASX. He also spent 5 years with Sharp Corporation managing the retail accounts of major retailers such as Harvey Norman, Myer, David Jones and Kmart.

The Directors (other than Mr Heath) recommend that shareholders vote in favour of the resolution in Item 3.

4. Re-election of Director, Ms Linda Norquay

Appointed to the Board in September 2011 as an Independent Non-executive Director. Ms Norquay is a member of the Audit, Risk and Compliance Committee (appointed Chairman on 29 July 2015), the Nomination Committee and the Remuneration and Evaluation Committee.

Ms Norquay is currently Chief Financial Officer at Illyria Pty Ltd. Ms Norquay brings a wealth of financial and strategic experience to Funtastic Limited and has previously held senior financial and management roles at Allco Finance Group, Macquarie Bank Limited and Barclays Bank Plc in London.

The Directors (other than Ms Norquay) recommend that shareholders vote in favour of the resolution in Item 4.

Special Business

5. Refresh Approval of Funtastic Employee Share Loan Plan

Background to resolution

The Funtastic Employee Share Loan Plan (**ESLP**) was initially approved by Shareholders at the Company's 2012 Annual General Meeting.

ASX Listing Rule 7.1 limits the number of securities that a company may issue without shareholder approval in any 12 month period to 15% of its issued securities, subject to certain adjustments and permitted exceptions. ASX Listing Rule 7.2 lists certain situations in which an issue of securities will not count towards a company's annual placement capacity under ASX Listing Rule 7.1. One of these situations is an issue of securities under an employee incentive scheme if, within three years before the date of issue, shareholders approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1. The ESLP is an employee incentive scheme for the purposes of ASX Listing Rule 7.2.

As the ESLP was last approved by Shareholders in 2012, the Board is seeking to refresh the approval of the ESLP for a further three years so that securities issued pursuant to the ESLP during this period can be issued without shareholder approval and without reducing the Company's annual placement capacity.

In accordance with ASX Listing Rule 7.2, exception 9, a summary of the key terms of the ESLP and the number of securities issued under the ESLP since the date of the last approval in 2012 are set out below.

Summary of the Key terms of the ESLP

Overview of the ESLP

The ESLP gives all Funtastic employees and executive Directors who are eligible to participate the opportunity to become shareholders in Funtastic. Non-executive Directors will not be eligible to participate in the ESLP. The purpose of the ESLP is to issue Shares in Funtastic to eligible employees and executive Directors as an additional incentive and to align their interests with the interests of shareholders.

In order to fund the acquisition of the Shares issued under the ESLP Funtastic will offer eligible employees and executive Directors an interest-free loan (**Loan**) to be used to pay the subscription price for the Shares issued under the ESLP.

The key terms of the Loan to be provided to each eligible employee are as follows:

- (a) The amount of the Loan will be the price per Share multiplied by the number of Shares to be issued to the eligible employee; and
- (b) The Loan will be interest-free and on a limited recourse basis.

Key terms of the ESLP

The key terms of the ESLP are as follows:

- (a) The Board may, in its absolute discretion, determine the criteria that will apply for eligibility to participate in the Plan and the terms and conditions that will apply to an offer of Shares under the ESLP (**Offer**). These terms and conditions may include such vesting conditions that the Board may determine in its absolute discretion.
- (b) The issue price for Shares under the ESLP will be the volume weighted average price of ordinary shares in the Company over the five trading days (excluding special crossings and overnight sales) following the announcement of the Company's most recent full year financial results or such other price as may be determined by the Board (**Issue Price**).
- (c) If an eligible employee accepts an Offer (**Participant**), the Company

must:

- (i) provide a Loan of an amount not greater than the amount equal to the number of Shares specified in the Offer multiplied by the Issue Price to enable the Participant to acquire the Shares the subject of the Offer; and
 - (ii) issue the number of Shares accepted by the Participant.
- (d) The Company may impose such restrictions on a Participant from selling or otherwise disposing of all or any Shares issued under the ESLP as the Board, in its absolute discretion thinks fit, provided that such restrictions are specified in the Offer made to the Participant.
- (e) Dividends paid by the Company, less the estimated tax payable by the Participant in respect of such Shares, will be used to pay down the Loan.
- (f) The Loan and any costs incurred in connection with the sale of the Shares must be repaid to the Company upon the sale of the Shares.
- (g) The Company may appoint a trustee on such terms and conditions as the Board determines for the purpose of acquiring and holding the Shares on behalf of Participants in accordance with the terms set out in an Offer or the rules of the ESLP. On issue of Shares to, or for the benefit of, a Participant, the Participant will be entitled to exercise all rights of a shareholder attaching to the Shares, subject to:
- (i) any rights of the trustee (if any) as specified in the Offer; and
 - (ii) any restrictions on the exercise of a Participant's rights contained within the Rules.
- (h) Until the Loan is repaid, the rights and entitlements attaching to Shares issued to a Participant must be exercised to comply with the rules of the ESLP.

Number of securities issued under the ESLP since the date of last approval

36,110,000 shares have been issued to, or for the benefit of, employees or Directors under the ESLP since the date of the Company's 2012 Annual General Meeting, of which 2,500,000 shares have been cancelled due to respective staff terminations.

Corporations Act

The Board also seeks shareholder approval pursuant to Section 260C of the Corporations Act 2001 (**Corporations Act**).

Section 260A of the Corporations Act states that a company may financially assist a person to acquire shares in the company only if:

- (a) giving the assistance does not materially prejudice the interests of Funtastic or its shareholders or the company's ability to pay its creditors;
- (b) the assistance is approved by the shareholders under Section 260B; or

- (c) the assistance is exempt under Section 260C.

Section 260C(4) provides that financial assistance is exempt from Section 260A if it is given under an employee share scheme that has been approved by a resolution passed at a general meeting of the company.

The Board believes that the giving of financial assistance to assist eligible employees to acquire shares in the Company under the Plan will not materially prejudice the interests of the Company or its shareholders or the Company's ability to pay its creditors. However, as approval is already being sought under Listing Rule 7.2, the Board believes that it is appropriate to also seek approval under Section 260C(4). Accordingly, the Board seeks shareholder approval under Section 260C of the Corporations Act to implement to ESLP.

6. Cancellation of Shares Issued to the Executive Directors (Mr Nir Pizmony and Mr Grant Mackenzie) under the Funtastic Employee Share Loan Plan on 31 July 2015 and 19 October 2015

Background

The following fully paid ordinary shares (**Shares**) were issued to the executive Directors of Funtastic as part of their long-term remuneration under the ESLP:

- (a) Grant Date: 31 July 2015

Mr Nir Pizmony 12,000,000 Shares at an issue price per Share of \$0.0244

Mr Grant Mackenzie 1,500,000 Shares at an issue price per Share of \$0.0244

- (b) Grant Date: 19 October 2015

Mr Nir Pizmony 3,500,000 Shares at an issue price per Share of \$0.03

Mr Grant Mackenzie 1,800,000 Shares at an issue price per Share of \$0.03

The issue of these Shares was announced through the Appendix 3Bs lodged on 31 July 2015 and 22 October 2015 (respectively) as well as through the Appendix 3Ys lodged in respect of each of Messrs Nir Pizmony and Grant Mackenzie on 31 July 2015 and 22 October 2015 (respectively).

The Board approved the issue of these Shares, but due to an unintentional oversight, they were issued to Messrs Nir Pizmony and Grant Mackenzie, without obtaining prior shareholder approval, as required under Listing Rule 10.14.

The Company wishes to advise shareholders that the breach was inadvertent and steps have been taken to ensure that such a breach is not repeated in the future.

With ASX approval, the Company is seeking shareholder approval to remedy this breach by the cancellation in full of the 18,800,000 Shares issued to Messrs Nir Pizmony and Grant Mackenzie and subsequently seeking shareholder approval to re-issue the Shares to Messrs Nir Pizmony and Grant Mackenzie. The Resolutions in Items 7 and 8 seek shareholder approval to re-issue the Shares to Messrs Nir Pizmony and Grant Mackenzie.

The resolution in Item 6 is a **special resolution**.

Corporations Act Requirements

To enable the Company to make the capital reduction by cancelling the Shares issued to Messrs Nir Pizmony and Grant Mackenzie, section 256C(2) of the Corporations Act requires a special resolution of the shareholders passed at a general meeting. A special resolution is a resolution that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution, either in person or by proxy.

The cancellation of the Shares must also be approved by a special resolution passed at a meeting of the shareholders whose Shares are to be cancelled. Messrs Nir Pizmony and Grant Mackenzie will sign a circulating resolution for this purpose. The Company will hold a meeting of Messrs Nir Pizmony and Grant Mackenzie for this purpose immediately prior to this Meeting.

The capital reduction proposed for the Company is a selective reduction because the terms of the reduction will not be the same for each holder of Shares. Only the 18,800,000 Shares held by Messrs Nir Pizmony and Grant Mackenzie will be cancelled.

Section 256B of the Corporations Act provides that a company may reduce its share capital by cancelling shares for no consideration if the reduction:

- (a) is fair and reasonable to the Company's Shareholders as a whole; and
- (b) is approved (as mentioned previously) under section 256C of the Corporations Act.

The Directors consider that the proposed capital reduction is fair and reasonable to the Shareholders as a whole because the 18,800,000 Shares that were issued to Messrs Nir Pizmony and Grant Mackenzie were inadvertently issued without prior shareholder approval in breach of Listing Rule 10.11. The Company takes its compliance with the Listing Rules seriously.

Therefore, the Directors consider it appropriate and necessary to cancel the 18,800,000 Shares previously issued to Messrs Nir Pizmony and Grant Mackenzie and seek shareholder approval to re-issue these Shares to Messrs Nir Pizmony and Grant Mackenzie pursuant to the resolutions in Items 7 and 8.

There is no information known to the Company that is material to the decision on how to vote on this resolution other than has been disclosed in this Notice of Meeting.

Under the Corporations Act, the Company may cancel the Shares 14 days after this Notice of Meeting is lodged with ASIC.

7. Approval of Prior Issue of Shares to Mr Nir Pizmony and Mr Grant Mackenzie Under the Employee Share Loan Plan

Background

ASX Listing Rule 10.11 requires shareholder approval to be obtained in respect of an issue of equity securities to a Director unless an exception in ASX Listing Rule 10.12 applies.

Exception 4 to ASX Listing Rule 10.12 provides that ASX Listing Rule 10.11 does not apply to issues made with the approval of shareholders under ASX Listing Rule 10.14.

ASX Listing Rule 10.14 provides that an entity must only allow Directors or their associates to acquire securities under an employee incentive plan with the approval of shareholders and provided the Notice of Meeting pursuant to which such approval was sought complied with ASX Listing Rules 10.15 or 10.15A.

Proposal

Pursuant to the resolutions in Items 7 and 8, the Company proposes to issue the following fully paid ordinary shares (**Shares**) to the following executive Directors under the ESLP:

- (a) Mr Nir Pizmony 15,500,000 Shares; and
- (b) Mr Grant Mackenzie 3,300,000 Shares.

The Explanatory Notes in relation to the resolution in Item 6 (above) detail the reasons for the issue of these Shares to Messrs Nir Pizmony and Grant Mackenzie.

The resolutions in Items 7 and 8 are subject to the passing of the special resolution in Item 6. If the special resolution in Item 6 is not passed, the resolutions in Items 7 and 8 will be deemed to have been rejected by the shareholders.

Information required under ASX Listing Rule 10.15A

In accordance with ASX Listing Rule 10.15A, the following information is provided to shareholders in respect of the issue of the Shares referred to above:

- (a) The Board is seeking approval for the issue of Shares under the ESLP to Messrs Nir Pizmony and Grant Mackenzie, executive Directors of Funtastic, as set out above;
- (b) The maximum number of Shares that may be acquired by Messrs Nir Pizmony and Grant Mackenzie under the ESLP is as set out above:
- (c) The issue price for the Shares acquired by Messrs Nir Pizmony and Grant Mackenzie under the ESLP as set out above will be calculated as the volume weighted average price of ordinary shares in the Company over the five trading days immediately preceding the date of this Annual General Meeting;
- (d) Set out below are the details of all Directors who have received shares under the ESLP since the date of the last approval of the ESLP. :

Name of Director	Date of Grant	No. of Shares	Issue Price per Share
Nir Pizmony	19 October 2015	3,500,000*	\$0.03
	31 July 2015	12,000,000*	\$0.0244
Grant Mackenzie**	19 October 2015	1,800,000*	\$0.03
	31 July 2015	1,500,000*	\$0.0244
Paul Wiegard***	27 January 2014	100,000	\$0.166
	8 July 2013	200,000	\$0.1599

Stewart Downs***	8 July 2013	400,000	\$0.1599
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*Note: These Shares are proposed to be cancelled pursuant to the resolution in Item 6.

**Note: Grant Mackenzie was also previously issued with 300,000 Shares under the ESLP prior to his appointment as Director on 1 August 2014.

***Note: These are former Directors of the Company, but they were Directors of the Company as at the relevant Date of Grant.

- (e) Only executive Directors and eligible employees as determined by the Board are eligible to participate in the ESLP. Messrs Nir Pizmony and Grant Mackenzie are currently the only Directors eligible to participate in the ESLP;
- (f) The amount of any Loan offered to an eligible employee under the ESLP (including in respect of the Shares to be issued to Messrs Nir Pizmony and Grant Mackenzie under the ESLP as described above) is the issue price per Share multiplied by the number of Shares to be issued to the eligible employee;
- (g) Any Loan offered to an eligible employee under the ESLP (including in respect of the Shares to be issued to Messrs Nir Pizmony and Grant Mackenzie under the ESLP as described above) will be interest- free and on the basis that the Company will only have recourse to the Shares (including any associated bonus Shares) issued under the ESLP and any funds received from the sale of such Shares;
- (h) The details of the above Shares proposed to be issued to Messrs Nir Pizmony and Grant Mackenzie under the ESLP as described above, as well as any other Shares issued under the ESLP ,will be published in each annual report of the Company relating to the period in which Shares have been issued with a statement that approval for the issue of the Shares was obtained under ASX Listing Rule 10.14;
- (i) Any additional person who is prevented by ASX Listing Rule 10.14 from acquiring Shares under the ESLP without shareholder approval, who becomes entitled to participate in the ESLP after shareholder approval of the resolutions in Items 7 and 8 is obtained, and who is not named in this Notice of Meeting, will not participate in the ESLP until shareholder approval is obtained under ASX Listing Rule 10.14; and
- (j) The Shares proposed to be issued to Messrs Nir Pizmony and Grant Mackenzie under the ESLP as set out above will be issued as soon as reasonably practicable after this Annual General Meeting and, in any event, by no later than 3 years after the date of this Annual General Meeting.

Chapter 2E

The Directors consider that shareholder approval pursuant to Chapter 2E of the Corporations Act is not required as the issue of the Shares forms part of the reasonable remuneration of Messrs Nir Pizmony and Grant Mackenzie.

Recommendation

The Directors (other than Messrs Nir Pizmony and Grant Mackenzie) recommend that shareholders vote in favour of the resolution in Item 6.

By order of the Board

Date 2 November 2015

A handwritten signature in black ink, appearing to read 'Grant Mackenzie', written in a cursive style.

Signed

Name Grant Mackenzie
Company Secretary

For personal use only

Additional Information

Will you be attending?

To assist our planning, please let us know whether you will be attending the Annual General Meeting by:

Email: jenny.power@funtastic.com.au

Telephone: 03 8531 0008

By Car - there are around 9,600 free car spaces at Chadstone Shopping Centre. The best location to park for the Funtastic Office is in the Woolworths Car Park accessible via either the Dandenong Road or Warrigal Road entrance.

By Train - Chadstone Shopping Centre is located close to four train stations: Oakleigh, Hughesdale and Murrumbeena stations on the Dandenong, Cranbourne or Pakenham lines and Holmesglen Station on the Glen Waverley line. A short bus trip completes the journey to Chadstone from these stations. However, the Hughesdale station is only a short 10-15 minute walk along Poath Road to Chadstone Shopping Centre.

By Bus - Chadstone is easily accessible by bus with 13 suburban bus routes stopping at the centre. From Oakleigh Station take one of the following bus routes: 903 'To Altona' to get to Chadstone; 742, 800, 802, 804 or 862 (towards Chadstone), or - 900 (towards Caulfield). From Murrumbeena Station take bus Route 822 (towards Chadstone). From Holmesglen Station take bus Route 624 or 903.

For personal use only



All Correspondence to:

- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
- 📠 **By Fax:** +61 2 9290 9655
- 💻 **Online:** www.boardroomlimited.com.au
- ☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:00am (AEDT) on Wednesday, 2 December 2015.**

🖥 TO VOTE ONLINE

STEP 1: VISIT www.votingonline.com.au/funtasticagm2015

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:00am (AEDT) on Wednesday, 2 December 2015.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

🖥 **Online** www.votingonline.com.au/funtasticagm2015

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Your Address
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Funtastic Limited** (Company) and entitled to attend and vote hereby appoint:

the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the **Funtastic Head Office, Level 2, Tower 2, Chadstone Place, 1341 Dandenong Road, Chadstone, Victoria on Friday, 4 December, 2015 at 10:00am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 2, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of this Resolution even though Resolution 2 is connected with the remuneration of a member of the key management personnel for Funtastic Limited.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolution 2). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 2	To Adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	To re-elect Mr Stephen Heath as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	To re-elect Ms Linda Norquay as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Business				
Resolution 5	Refresh Approval of Funtastic Employee Share Loan Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Cancellation of Shares issued to the Executive Directors under the Funtastic Share Loan Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of Issue of Shares to Mr Nir Pizmony under the Employee Share Loan Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval of Issue of Shares to Mr Grant Mackenzie under the Employee Share Loan Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2015