

Notice of General Meeting and Explanatory Notes

Funtastic Limited ACN 063 886 199

Date: Tuesday 17 May 2016
Time: 10:00am AEST
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 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 General Meeting and Explanatory Notes.

The Explanatory Notes contain an explanation of, and information about, the matters to be considered at the 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 General Meeting.

Shareholders should read this document in full.

This document is dated 15th April 2016

Notice of General Meeting

Notice is given that a general meeting of shareholders of Funtastic Limited (ACN 063 886 199) (**Funtastic** or **the Company**) will be held on Tuesday, 17 May 2016, at Funtastic Head Office, Level 2, Tower 2, Chadstone Place, 1341 Dandenong Road, Chadstone, Victoria, commencing at 10:00am AEDT.

Business

1. Approval of Prior Issue of Shares under Placement

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

'That, for the purposes of ASX Listing Rule 7.4, approval is given in respect of the issue of 25,000,000 fully paid ordinary shares in the Company on 15TH April 2016 on the terms and conditions as set out in the Explanatory Notes.'

Voting Exclusion Statement:

Funtastic will disregard any votes cast on this resolution by any person who participated in the issue of shares the subject of this resolution and any of their 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.

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 the authorisation of the Chairman to vote undirected proxies.

2. Approval of Issue of Placement Shares to a Director - Mr Nir Pizmony

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

'That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of 23,750,000 Placement Shares to Mr Nir Pizmony or his nominees, in accordance with the terms and conditions set out in the Explanatory Notes.'

Note: If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

Voting Exclusion Statement:

Funtastic will disregard any votes cast on this resolution by Mr Nir Pizmony or his nominees 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.

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. Approval of Issue of Placement Shares to a Director - Mr Grant Mackenzie

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

'That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of 3,750,000 Placement Shares to Mr Grant Mackenzie or his nominees, in accordance with the terms and conditions set out in the Explanatory Notes.'

Note: If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

Voting Exclusion Statement:

Funtastic will disregard any votes cast on this resolution by Mr Grant Mackenzie or his nominees 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.

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 the authorisation of the Chairman to vote undirected proxies.

Voting

Entitlement to vote

The Directors have decided that for the purpose of determining entitlements to vote at the General Meeting, Shares will be taken to be held by the persons who are the registered holders at 7pm AEST on Friday 13 May 2016. 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 AEST Sunday 15 May 2016.
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: <http://www.votingonline.com.au/funtasticgm2016>

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 General Meeting.

By order of the Board

Date 15th April 2016



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 General Meeting.

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

Business

1. Approval of Prior Issue of Shares under Placement

1.1 Background

On 5th April 2016 the Company announced that it had completed a non-underwritten institutional placement of 25,000,000 fully paid ordinary Shares in the Company (**Placement Shares**), raising y \$500,000 (**Placement**).

The proceeds of the Placement will be used to continue the development and global distribution of the Company's own brands.

25,000,000 Placement Shares were issued on 15th April 2016 pursuant to the Placement under the Company's placement capacity under ASX Listing Rule 7.1. Accordingly, the issue of the Placement Shares did not breach ASX Listing Rule 7.1.

Approval is now sought pursuant to ASX Listing Rule 7.4 to ratify the issue of the Placement Shares. Such approval will refresh the Company's ability to issue additional securities in the future without seeking shareholder approval.

Separately, two of the Company's directors, Mr Nir Pizmony and Mr Grant Mackenzie (personally or through their respective nominees) also applied for a total number of 27,500,000 Placement Shares under the Placement (**Director Placement Shares**). However, the issue of these Director Placement Shares is subject to shareholder approval of Resolutions 2 and 3 as set out in the Notice of General Meeting. Please see Section 2 below for further details. Subject to such shareholder approval, the issue of the Director Placement Shares to Messrs Pizmony and Mackenzie will be under an exception to ASX Listing Rule 7.1, and such issue will therefore not reduce the Company's existing placement capacity under ASX Listing Rule 7.1.

The Placement Shares (and the Director Placement Shares (if issued) will) rank equally with existing fully paid ordinary Shares on issue in the Company.

In this Section 1, references to Placement Shares **does not** include the Director Placement Shares.

1.2 ASX Listing Rule 7.1

Subject to a number of exceptions, 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.

ASX Listing Rule 7.4 allows for shareholders to subsequently approve an issue of securities, provided the issue was not in breach of ASX Listing Rule 7.1.

Shareholders are being asked to approve the issue of the Placement Shares in accordance with ASX Listing Rule 7.4.

If the Placement Shares are treated as having been made with shareholder approval pursuant to ASX Listing Rule 7.4, the Company's capacity to issue further securities under ASX Listing Rule 7.1 is restored.

The Directors consider it prudent to retain the capacity to issue further securities and, accordingly, seek shareholders' approval to the prior issue of the Placement Shares as set out in Section 1.1 above.

1.3 Information required by ASX Listing Rule 7.5

ASX Listing Rule 7.5 contains certain requirements as to the content of a notice sent to shareholders for the purposes of ASX Listing Rule 7.4. Accordingly, the following information is included for that purpose:

- (a) the number of Placement Shares for which shareholder approval is being sought is 25,000,000 which were issued within the Company's placement capacity under ASX Listing Rule 7.1;
- (b) the Placement Shares were issued at an issue price of \$0.02 per Placement Share;
- (c) the Placement Shares rank equally in all respects with existing fully paid ordinary Shares on issue in the Company;
- (d) the Placement Shares were issued to various unrelated sophisticated and institutional investors who satisfied the definitions contained in sections 708(8) and 708(11) of the Corporations Act;
- (e) the Placement Shares were issued under the Placement and raised \$500,000. The proceeds of the Placement will be used to continue the development and global distribution of the Company's own brands; and
- (f) a voting exclusion statement is included in this Notice of General Meeting.

2. Approval of Issue of Placement Shares to Directors

2.1 General

Pursuant to Resolutions 2 and 3, the Company is seeking approval for each of Mr Nir Pizmony, and Mr Grant Mackenzie, both Directors, to participate (personally or through their respective nominees) in the Placement.

Resolutions 2 and 3 are required to be approved under ASX Listing Rule 10.11 in order to issue securities to Directors, being related parties of the Company. If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

Further, under section 208 of the Corporations Act 2001 (Cth) (**Corporations Act**), for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company (such as a director of the company), the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act. Under the Corporations Act, the issue of shares constitutes giving a financial benefit.

Section 210 of the Corporations Act provides that shareholder approval for the purposes of section 208 of the Corporations Act is not needed to give a financial benefit on terms that would be reasonable in the circumstances, if the public company and the related party were dealing at arms' length.

It is the view of the Directors that the issue of the Director Placement Shares to Mr Nir Pizmony and Mr Grant Mackenzie under Resolutions 2 and 3 falls under the arms' length exception in section 210 of the Corporations Act, as any participation by these Directors in the Placement will be on the same terms as those offered to other investors who are not related parties of the Company. Accordingly, Shareholder approval is only being sought under ASX Listing Rule 10.11.

2.2 Information required by ASX Listing Rule 10.13

ASX Listing Rule 10.13 contains certain requirements as to the content of a notice sent to shareholders for the purposes of ASX Listing Rule 10.11. Accordingly, the following information is included for that purpose:

- (a) the Director Placement Shares the subject of Resolutions 2 and 3 will be granted to Mr Nir Pizmony and Mr Grant Mackenzie (or their respective nominees), both Directors of the Company;
- (b) the maximum number of Director Placement Shares to be issued pursuant to Resolutions 2 and 3 is 23,750,000 and 3,750,000 respectively, for a maximum total of 27,500,000 Director Placement Shares;
- (c) the Director Placement Shares will be allotted and issued on a date which will be no later than 1 month after the date of this General Meeting;
- (d) the Director Placement Shares the subject of Resolutions 2 and 3 will rank equally in all respects with existing fully paid ordinary Shares on issue in the Company. Each Director Placement Share will be issued at an issue price of \$0.02;
- (e) a voting exclusion statement is included in this Notice of General Meeting; and
- (g) a total of \$550,000 will be raised by the issue of the Director Placement Shares. These funds are intended to be used to continue the development and global distribution of the Company's own brands; and

3. Recommendation of Directors

Based on the information available, including the information contained in these Explanatory Notes, all of the Directors consider that Resolutions 1 to 3 are in the best interests of the Company.

Accordingly, all the Directors (other than Messrs Nir Pizmony and Grant Mackenzie) recommend that shareholders vote in favour of Resolutions 1 to 3. As

Messrs Nir Pizmony and Grant Mackenzie intend to participate in the Placement, and therefore have an interest in the passing of Resolutions 1 to 3, they have abstained from making a recommendation to shareholders.

For personal use only

Additional Information

Will you be attending?

To assist our planning, please let us know whether you will be attending the 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.



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 AEST on Sunday 15 May 2016.**

🖨 TO VOTE ONLINE

STEP 1: VISIT www.votingonline.com.au/funtasticgm2016

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:

- 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.
- 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 AEST on Sunday, 15 May 2016**. 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/funtasticgm2016

📠 **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 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 Tuesday, 17 May 2016 at 10:00am AEST** 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.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

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 1	Approval of Prior Issue of Shares under Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval of Issue of Placement Shares to a Director – Mr Nir Pizmony	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of Issue of Placement Shares to a Director – Mr Grant Mackenzie	<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 / / 2016