MEDIA/ASX ANNOUNCEMENT

9th August 2017

ASX Announcement

Company Update

Following its Company Update on 31 July 2017 and trading halt dated 7th August 2017, Funtastic Limited (**Funtastic** or **the Company**) would like to provide this further update in relation to its FY17 financial results, FY18 earnings outlook, and the status of its proposed debt restructure and capital raising.

FY17 RESULTS

Funtastic expects FY17 EBITDA to be a loss of between $4.5 – 6.0 million (compared to a prior year FY16 EBITDA loss of $4.9 million). The Company will provide further guidance with respect to its treatment of goodwill and intangible assets and permanent debt reduction (subject to agreement with its debt financier) arising from its restructuring activities and following further review by its auditors.

The Company expects to release its FY17 full year results (Appendix 4E) by no later than 30 September 2017.

FY18 OUTLOOK

Following recent material restructuring initiatives and the resulting significant reduction in fixed overheads (from $22.5 million in FY16 to approximately $9 million per annum going forward) Funtastic now expects to deliver EBITDA in the range of $2.0 – 3.5 million in FY18.

DEBT RESTRUCTURE

As announced on 31 July 2017, Funtastic has been negotiating a restructure of its debt arrangements with its debt financier, National Australia Bank (**NAB),** and these discussions are now at an advanced stage. Whilst Funtastic expects to agree the restructure of its debt arrangements with NAB in the near future, a final legally binding agreement is yet to be completed.

CAPITAL RAISING AND UNDERWRITING

As announced on 31 July 2017, Funtastic has been progressing plans for a proposed capital raising by way of a partially underwritten entitlement offer on the following proposed terms:

a) A 11 for 5 pro rata renounceable entitlement offer to raise approximately $8.2 million before costs (**Offer**);
b) The offer price for the Offer will be $0.005 per share (**Offer Price**); and
c) Entitlements under the Offer will be tradeable.

Funtastic has now finalised underwriting agreements with a range of institutional and sophisticated investors (including a number of existing shareholders) (**Underwriters**) to underwrite the proposed Offer to an amount of $8 million. The Offer is supported by interests associated with Funtastic Directors Shane Tanner, Stephen Heath and Grant Mackenzie who have each undertaken to exercise their entitlements in full and have also executed underwriting agreements to underwrite a combined amount of $1,100,000.

An overview of the material terms of the underwriting agreements with Underwriters is contained in Appendix A.

Details of the Offer (including the timetable and use of the proceeds to be raised) will be provided once the capital raising is further progressed.

ADDITIONAL DEBT

The company is in the process of securing interim funding up to $2m in advance of the capital raising to fund additional inventory purchases required to meet the pre-Christmas trading period. This funding is expected to be secured in the coming days.

Grant Mackenzie

CFO and Company Secretary

Funtastic Limited

Appendix 1

Overview of the Key Terms of the Underwriting Agreements

The Underwriters have agreed to underwrite the Entitlement Offer up to an amount of $8 million at the Offer Price of $0.005 per share (**Offer**) subject to the following key conditions being satisfied:

1. **debt restructure:** a binding term sheet for the restructure of the debt facilities with NAB, having been entered into between Funtastic and NAB, under which NAB agrees to:
   a) a permanent reduction of $36 million in bank debt;
   b) make available to Funtastic:
      i. A new $2 million Commercial Market Loan Facility, with the option to convert into a convertible note;
      ii. Extension of the existing $7 million Trade Finance Facility; and,
      iii. A new $4.7 million overdraft facility
2. **regulatory approvals:** Funtastic having received all necessary regulatory waivers and approvals from ASX and any other relevant authority;
3. **ASX**: the lodgement of the Offer materials with ASX; and
4. **Notices:** Funtastic having delivered notices to the underwriters at key dates in the Offer timetable.

There are no assurances that any of these conditions will be satisfied.

Each Underwriter has committed to Underwrite their respective proportion of the total $8,000,000 being underwritten pursuant to the agreements (**Respective Proportion**).

To the extent that valid applications for offer shares are not received before the Offer closes (**Shortfall**), each Underwriter has agreed to underwrite and subscribe for its Respective Proportion of the Shortfall. Where an Underwriter is a shareholder in Funtastic, it must subscribe for its full entitlement of shares under the Offer, in addition to its underwriting obligations.

Funtastic has given a number of warranties in favour of each Underwriter, including that:

a) the offer materials will not be misleading or deceptive and it has not breached any laws;

b) entry into the Underwriting Agreement does not conflict with, or result in a breach of, its constituent documents, any other agreement, law or judgment (amongst other things);

c) it and other members of the Funtastic Group are not subject to litigation, arbitration or administrative proceedings that may be material in the context of the Offer;

d) no member of the group is insolvent;

e) its Financial Accounts present a true and fair view of its financial position;

f) it has adequate rights to use certain intellectual property in connection with its business and has all material authorisations which it needs to conduct its business; and

g) it has not engaged in stabilisation or manipulation of the price of its shares.

The Underwriting agreement may be terminated if:

a) the ASX200 companies index closes on any trading day at a level that is 20% or more below the level at market close on the last trading day immediately before the date of the underwriting agreement and remains at or below that level for at least five consecutive trading days thereafter, or a material disruption takes place to normal banking and trading that subsists for at least five consecutive business days;

b) the Offer timetable is delayed by more than 15 business days without Underwriters approval;

c) the Offer breaches any law or a change in law takes place that would prohibit the Offer, or Funtastic becomes subject to regulatory or government actions in respect of the Offer;

d) information supplied by Funtastic in connection with the Offer is or becomes misleading or deceptive, or criminal or civil proceedings are brought against it or its officers;

e) Funtastic withdraws or terminates the Offer, or is unable to issue shares under the Offer;

f) Funtastic becomes insolvent; and

g) certain material adverse changes arise except as agreed.

Funtastic will pay the Underwriters an underwriting fee equal to 3% of the underwritten amount, but will not be paying the costs of the Underwriters.