



NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

23 August 2017

Funtastic announces A\$8.2 million renounceable entitlement offer and debt restructuring completion

- A\$8.2 million 11 for 5 pro rata renounceable entitlement offer
- A\$8 million of that offer has been underwritten
- Entitlements trading available on ASX
- Proceeds to be used to reduce short term debt funding and additional working capital
- Fixed price of \$0.005 per share
- Restructuring of debt arrangements with NAB
- FY17 Preliminary Full Year Results

Funtastic Limited (Funtastic) is seeking to raise approximately A\$8.2 million from a pro rata renounceable entitlement offer (Entitlement Offer or Capital Raising) of which A\$8 million has been underwritten. The Capital Raising together with a restructuring of Funtastic's debt arrangements with NAB will accelerate the Company's return to a more sustainable and stable financial position and provide it with the balance sheet capacity and flexibility to pursue new growth opportunities.

Entitlement Offer

Under the Entitlement Offer, Funtastic will offer existing eligible shareholders¹ the opportunity to subscribe for new fully paid ordinary shares in Funtastic (New Shares) at \$0.005 per New Share (Offer Price) to raise a total of approximately A\$8.2 million.

Under the Entitlement Offer, eligible shareholders are entitled to acquire 11 New Shares for every 5 existing Funtastic ordinary shares (Shares) held on the record date (Entitlement), being 7.00pm (Melbourne time) on Tuesday, 29 August 2017 (Record Date). The Board considers that the pro rata nature of the Entitlement Offer favours existing Funtastic shareholders in recognition of their continuing support.

The Offer Price of \$0.005 per New Share represents:

- a discount of 50% to the last closing market price of Shares on Wednesday, 23 August 2017; and
- a 24% discount to the theoretical ex-rights price (TERP).²

The Entitlement Offer comprises only a retail entitlement offer. New Shares issued under the Entitlement Offer will rank equally with existing Shares from the date of allotment.

The Entitlement Offer will open on Friday, 1 September 2017 and close at 5.00pm (Melbourne time) on Tuesday, 12 September 2017.

Entitlements which are not taken up by eligible shareholders by the close of the Entitlement Offer and Entitlements that would otherwise have been offered to ineligible shareholders will be subscribed for by the underwriters of the Offer.

Eligible shareholders wishing to participate in the Entitlement Offer should carefully read the offer booklet and accompanying personalised entitlement and acceptance form which are expected to be despatched on Friday, 1 September 2017. Copies of the offer booklet will be available on the ASX website and our website at www.funtastic.com.au from Friday, 1 September 2017.

¹ Eligible shareholders include those shareholders who are registered as a holder of fully paid Funtastic shares as at the Record Date, and who have a registered address on Funtastic's share register that is in Australia and New Zealand. Further details are provided in the investor presentation separately released to the ASX.

² TERP is the theoretical price at which Funtastic Shares should trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Funtastic Shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to Funtastic's closing price on Wednesday, 23 August 2017.



A group of institutional and sophisticated investors (including a number of existing shareholders) (Underwriters) are underwriting \$8 million of the Entitlement Offer as more fully described in the investor presentation released to the ASX on Thursday, 24 August 2017. The Underwriters that are also shareholders have provided an irrevocable commitment to participate in their pro rata share of the Entitlement Offer.

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 agreed to underwrite a combined amount of \$1.1 million.

Rationale for Entitlement Offer

The key reason for the Entitlement Offer is to strengthen Funtastic's balance sheet, with the proceeds being applied towards repayment of short term debt funding and the provision of additional working capital for the Company.

The Capital Raising, together with the restructuring of Funtastic's debt arrangements, will result in a more appropriate and sustainable capital structure for the Company and will provide it with the balance sheet strength and flexibility to pursue new growth opportunities as well as enhance its position with customers and suppliers.

Restructuring of Debt Arrangements

In conjunction with the Capital Raising, Funtastic is pleased to announce that it has reached agreement with its financier, National Australia Bank (NAB), for a restructuring of its debt arrangements (Debt Restructuring) which will involve:

- a permanent reduction of \$36 million in bank debt;
- extension of an existing \$7 million Trade Finance Facility;
- issue of a new \$2 million Commercial Market Loan, with the option to convert this into a convertible note³;
- issue of a new \$4.7 million overdraft facility; and
- capitalisation of approximately \$1 million interest on past debt facilities (repayable in January 2018).

FY17 Preliminary Financial Results

Funtastic expects to report Revenue of \$55.7 million for the year ended 31 July 2017, down from \$88.9 million in the prior corresponding period. The 37.4% reduction in Revenue reflects the loss of some agency brands and reduced international sales. The Company expects to report an EBITDA loss of \$5.5 million for the period, with a \$7.6 million reduction in total overheads largely offsetting the revenue and gross margin contraction.

Commenting on the result, Chairman Shane Tanner said that "whilst the results were below our expectation, the significant cost reduction and rationalisation of the business, including the partial disposal of the International division and debt restructure will provide a solid base for future growth." Audited full year results will be announced by no later than the 30th September 2017

In FY18 Funtastic is expecting to deliver EBITDA in the range of \$2.0 – 3.5 million, driven by continued restructuring initiatives and significant further reductions in overheads.

Capital structure on completion of the Capital Raising

The Company currently has 759,544,723 shares on issue.

The Entitlement Offer involves the issue of approximately 1,670,998,391 New Shares. Accordingly, on completion of the Capital Raising, the Company's total issued share capital will comprise approximately 2,430,543,114 fully paid ordinary shares.

Entitlement trading

Eligible shareholders who do not wish to take up some or all of their Entitlements may sell all or part of their Entitlements on ASX from 10.00am (Melbourne time) on Monday, 28 August 2017 until 4.00pm (Melbourne time) on Tuesday, 5 September 2017, or transfer all or part of their Entitlements.

Prices obtainable for Entitlements may rise and fall over the Entitlement trading period and will depend on many factors including the demand for and supply of Entitlements on the ASX and the value of Funtastic existing Shares relative to the Offer Price. If you sell your Entitlement, you may receive a higher or lower amount than a shareholder who sells their

³ NAB has the option to exchange the Commercial Market Loan for a \$2 million convertible note which can be converted into Funtastic shares at a conversion price of \$0.007 at NAB's election.



Entitlement at a different time in the Entitlement trading period. There is a risk that a viable market for the Entitlements may not develop and shareholders may not be able to achieve a sale of their Entitlements on the ASX.

Entitlements may only be exercised by eligible shareholders, being persons who have a registered address in Australia or New Zealand. Persons in the United States and persons acting for the account or benefit of a person in the United States will not be eligible to purchase or trade Entitlements on ASX, or take up or exercise Entitlements purchased on ASX or transferred from another person.

It is the responsibility of purchasers of Entitlements to inform themselves of the eligibility criteria for exercise. If holders of Entitlements after the trading period ends do not meet the eligibility criteria, they will not be able to exercise the Entitlements. In the event that holders are not able to take up their Entitlements, those Entitlements will be subscribed for by the underwriters of the Entitlement Offer.

Additional information about the Entitlement Offer is included in the investor presentation.

ENDS



Indicative Timetable

Event	Date
Announcement of Entitlement Offer	Wednesday, 23 August 2017
Ex-Date and Entitlement Trading period commences	Monday, 28 August 2017
Record Date for the Entitlement Offer	7.00pm (Melbourne time) on Tuesday, 29 August 2017
Dispatch of Offer Booklet and Entitlement and Acceptance Form to Eligible Shareholders	Friday, 1 September 2017
Entitlement Offer opens	Friday, 1 September 2017
Entitlement Trading period closes	4.00pm on Tuesday, 5 September 2017
Entitlement Offer closes	5.00pm on Tuesday, 12 September 2017
Allotment of New Shares under the Entitlement Offer	Tuesday, 19 September 2017
Dispatch of holding statements	Tuesday, 19 September 2017
Normal trading of New Shares issued under the Entitlement Offer expected to commence on ASX	Wednesday, 20 September 2017

The timetable above is indicative only and may be subject to change without notice. Funtastic, with the consent of the underwriters of the Entitlement Offer in certain situations, reserves the right, subject to the *Corporations Act 2001 (Cth)* (Corporations Act), ASX Listing Rules and other applicable laws to amend or vary any or all of the dates and times without notice. In particular, Funtastic reserves the right to extend the closing date of the Entitlement Offer, accept late applications (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. The commencement of quotation of New Shares is subject to confirmation from ASX.

Shareholder Enquiries

If you have any questions, please call the Funtastic Offer Information Line on 1300 767 760 (within Australia) or +61 2 9290 9600 (from outside Australia) between 8:30am and 5:30pm (Melbourne time) Monday to Friday during the Entitlement Offer Period, or consult your stockbroker, lawyer, accountant, financial adviser or other independent professional adviser.

Important Information

This notice does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any person acting for the account or benefit of any person in the United States, or in any other jurisdiction in which such an offer would be illegal. No action has been or will be taken to register, qualify or otherwise permit an offering of the New Shares in any jurisdiction outside Australia or New Zealand. In particular, neither the Entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933 (the Securities Act) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be taken up by, and the New Shares may not be offered, sold or resold to, persons in the United States or to persons who are acting for the account or benefit of a person in the United States, unless such Entitlements or New Shares have been registered under the Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

The provision of this document is not, and should not be considered as, financial product advice. The information in this document is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Before acting on the information, you should consider the appropriateness of the information, having regard to your objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your accountant, lawyer, tax adviser, stockbroker, financial adviser or other professional advisor.