



19 August 2008

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 4, Stock Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

ASX Announcement in respect of Trading Halt

Attached is an announcement concerning the Trading Halt placed on the Company's securities on Friday, 15th August 2008.

Yours faithfully

D J Berry
Company Secretary

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ASX ANNOUNCEMENT

FUNTASTIC AND ARCHER CAPITAL TERMINATE DISCUSSIONS

Further to Funtastic's announcement of 8 August 2008, Funtastic advises that discussions with the Archer Consortium in relation to the Consortium's non-binding indicative proposal to acquire all of the issued shares in Funtastic under a scheme of arrangement have terminated, following extended discussions and negotiations failing to reach agreement. The Archer Consortium members remain substantial holders in Funtastic, but we understand no decision has been made by Archer Capital in respect of its interest in Funtastic.

The company re-affirms its guidance of approximately \$31m EBITA for the financial year ending 31 December 2008. The Company expects that full year trading in FY2008 will be affected by the following influences:

- Positive Gross Margin initiatives, including inventory reduction, are anticipated to have the greatest effect in the second half of FY2008;
- Increased input costs from China are having a detrimental impact on margins, especially in apparel;
- Consumer sentiment in discretionary spending is of concern and it is imperative we maintain a vigilant watch on costs and inventory in order to protect margins.
- The Company remains cautious of the current retail environment and the state of consumer demand in the lead up to the pivotal Christmas period.

The company will release half year results on Thursday 21st August at which time we will provide an update on our progress in relation to strategic initiatives.

For more information on Funtastic, visit the web site at www.funtastic.com.au and for comment contact Anna Kirby, Public Relations for Funtastic Limited Ph: 03 9486 9357.