# ASX Announcement

PERTH 24 April 2018

# QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C COMMENTARY

Family Zone Cyber Safety Ltd (ASX: FZO, **Family Zone** or **the Company**) is pleased to provide an update of its activities and achievements in the March 2018 quarter.

The March quarter was a significant period for Family Zone with the investments in 2017 in education and international expansion beginning to contribute to financial results. To aid investors in understanding the results and investment, this quarterly report includes additional context and background.

## HIGHLIGHTS FOR THE QUARTER

The Company is pleased to report that the results of its efforts and investment over the last year to build its business are now being reflected in both its financial and operating results.

### KEY STATISTICS FOR MARCH 31, 2018 QUARTER

| | | |
|---|---|---|
| Accounting Revenue | $750k | 67% increase QoQ (excluding grants) |
| Invoiced to customers | $1.7m | 187% increase QoQ in customer billings |
| Customer collections | $1.2m | 286% increase QoQ in customer collections |
| Paying subscribers | 41k | 35% increase QoQ |
| International subscribers | 8.5k | 70% increase QoQ |
| Contracted revenue | $5.1m | 16% increase QoQ |
| Partner schools | 150 | 25% increase QoQ |
| Cash balance | $5m | At 31 March 2018 |

# STRATEGIC BACKGROUND

Family Zone has developed a world-first universal approach to cyber safety. Under this model, interoperable technology can be installed on any device and in any network to manage the digital experience of users.

The Company built the core platform in 2016 and has since been pursuing an aggressive commercialisation plan to embed this technology across the spectrum of devices and networks used by children. The Company has been rapidly building strategic partnerships with relevant providers in the cyber safety ecosystem such as schools, telcos, equipment manufacturers and cyber safety experts.

This commercialisation strategy has and will continue to require investment, but is showing clear signs of growth and revenue traction and global potential.

The Company is pursuing and executing on a market opportunity of enormous scale - estimated at possibly US$90bn of unsatisfied global demand.

# BACKGROUND TO THE MARCH QUARTER

In 2017, Family Zone entered the education sector for the first time. The move was driven by the Company's strategic vision of integrated school and home policy management.

To bring that strategic vision into reality, Family Zone has developed a disruptive commercial model in education. The strategy has driven the development of a model that supports schools and their cyber safety challenges and provide the Company access to a more lucrative consumer market.

This business model has ultimately become known as the "Partner Schools Program".

In 2017, Family Zone offered schools heavily discounted access to services subject to signing service contracts into 2018 and beyond. Accordingly, one of the Company's key objectives for the March quarter was to turn the contracts of 2017 into tangible revenue.

The following provides a summary of key objectives and achievements for the quarter.

| Objective | Achievements for the quarter |
|---|---|
| Turn 2017's contracted schools into invoiced revenue | Education contracts signed in 2017 generated in excess of 23,000 Family Packs and $1.8m of invoices from Oct 2016 to Mar 2017. |
| Continue to drive school partner sales in 2018 | Contracts signed so far in 2018 have generated in excess of 8,000 Family Packs, $730k of contracted revenue and $350k of invoices. The Company's sales team are currently engaged with a pipeline of opportunities in Australia and New Zealand exceeding $5.8m and 70,000 Family Packs. |
| Develop engagement models into 'partner school' communities | By 31 March 2018, the Company had launched 35 school communities, activating many thousands of family accounts and achieving approximately 22% penetration into these schools. |
| Expand access partnerships in telco and with device manufacturers | Family Zone achieved its first wholesale deal in India with Aircel and a landmark agreement with Alcatel to pre-load Android mobile devices sold in Australia with the company's Mobile Zone technology and app. |

| | |
|---|---|
| Move to a consolidated and integrated school firewall and filtering solution | Following the acquisition of New Zealand based Linewize in late 2017, Family Zone has integrated two leading school network technologies. During the quarter, Linewize's platform was chosen as our core and upgraded to support the needs of all markets. |

# FINANCIAL COMMENTARY

## Strong Revenue Growth

Pleasingly, customer invoices and accounting revenue lifted significantly in the quarter. This followed strong school sales in 2017 and continued traction in 2018.

| Revenue measure | Dec Qtr 2017 | Mar Qtr 2018 | QoQ Change |
|---|---|---|---|
| Invoiced to customers | $592k | **$1.7m** | 187% |
| Customer collections | $327K | **$1.2M** | 286% |

Of the $1.7m invoiced in the March quarter, approximately $940k related to Australian schools and $440k to New Zealand schools. The remainder was mostly from consumer sales in Australia.

As expected, there was immaterial revenue from US-based schools and telco partners in the quarter. In the USA the Company is continuing its strategy to build a showcase of the Family Zone ecosystem. In telco, the Company continues to trial marketing and onboarding approaches with great support from our telco partners in Indonesia and Philippines.

## Busting the Education Sales Cycle

Family Zone's investment in innovative products and pricing models has empowered the Company to build contract value and generate cash flow outside of the traditional education sales cycle. This cycle refers to the tendency of the education sector to commit to large purchases in the December quarter.

In the March quarter, the Company added more than $730k of total contract value from education clients. Of this, approximately $350k was invoiced in the quarter.

Given the March quarter is significantly truncated by school holidays, this is an exceptional result reflecting the Company's ability to sell into education at any time of the year and to deploy and invoice in quick order.

These results provide the Company confidence of continued rapid revenue growth.

At the conclusion of the March quarter, the Company is engaged in discussions in a pipeline of Australian and New Zealand education sales opportunities exceeding $5.8m.

family zone

## Contracted revenue breaks through $5m

The Company's investment in building sales capability across Australia and New Zealand has continued to drive contracted revenue which exceeded $5.1m as at 31 March 2018.

***Contracted Revenue:*** *Is the total invoice value of a contract over its full term. The Company's contract terms vary in length, with Australian contracts being typically for 3 years and New Zealand contracts generally 12 months. The Company expects to increase average contract length over the course of 2018.*

Recurring revenue is similarly building rapidly. Invoiced revenue for the financial year to date now exceeds $2.6m and is expected to reach circa $3.5m for FY 2018.

## Accounting Revenue Growth

In line with building contracted revenue, the Company's accounting revenue continues to grow.

***Accounting Revenue:*** *Is the apportionment of contracted revenue over the term of the service contract as required by accounting principles. As the Company's contracted revenue builds, so too is accounting revenue expected to increase.*

| Revenue measure | Dec Qtr 2017 | Mar Qtr 2018 | QoQ Change |
|---|---|---|---|
| Accounting Customer Revenue | $449k | **$750k** | 67% |

For the 2018 financial year to date, the Company's accounting revenue exceeds $4.1m. $1.6m of this is attributable to customers, with the balance being grant revenue received from the Company's ongoing investment in R&D. For the full financial year the Company expects accounting revenue to exceed $5m with customer related revenue exceeding $2.5m.

## Education Revenue Drivers

In the quarter, the Company invoiced 251 of its circa 421 ANZ school clients contracted for invoicing in calendar 2018. Pleasingly, revenue per school is increasing swiftly. This increase in average revenue per school is a result of the Company's rapid transitioning of school contracts from license fees to "Family Packs".

| Average invoice value for schools invoiced in March Quarter 2018 | Contracts Signed in 2017 | Contracts Signed in 2018 | QoQ Change |
|---|---|---|---|
| Australian Schools | $10,940 | **$14,230** | 30% |
| New Zealand Schools | $2,968 | **$4,985** | 67% |

*Partner Schools & Family Packs: Family Packs are Family Zone's standard consumer family plans encompassing parental controls for up to 3 family members and 6 devices. Family Packs are priced at $5.95/m when purchased direct (online) or $59/a when purchased through a school referral or by a school. When sold to schools, we describe the school as a "Partner". Our Partner schools have a minimum subscription of 50 Family Packs, however normally subscribe for 200 or more. As schools cover the costs of more families and/or penetration increases within the school community, revenue from each school is expected to continue to build over time.*

The Company's move to re-base school contracts as Family Packs is expected to drive accelerating revenue growth and significantly better returns for the Company (per school) over time.

Today 33% of school clients are invoiced on the basis of Family Packs. This is expected to move to 100% by mid 2019. Accordingly Family Packs will, in time, become the Company's standard methodology for reporting change in customer value.

## Operational Investments

In December 2017, the Company completed a capital raising to fund an aggressive expansion into the New Zealand market, integration of the Linewize technology and to increase investment to drive future sales.

Operational expenditure thus increased in the quarter in line with expectations.

The Company incurred a number of one-off expenditures in the quarter including:

- Investment in inventory — $150k
- Payout of Tesserent — $200k (relating to acquisition of Sonar in 2017)
- New Zealand & India — $300k (establishment costs)
- Tax advice for R&D — $100k

In future quarters the Company expects expenditure to moderate as these investments have been made and cost savings through platform integration and centralisation of services materialise.

## Balance Sheet

At the conclusion of the Quarter, the Company had a cash balance of approximately $5m and debtors of approximately $660k. The Company has high confidence in the collectability of these debts.

# OPERATIONAL HIGHLIGHTS

## GROWTH IN SUBSCRIPTIONS

Contracts with schools and paying subscriber numbers are the key growth drivers for the Company. School contracts are rapidly being re-based into "Family Packs" which will over time become the primary basis for the Company's reporting to shareholders.

In March 2018, the Company broke through 40,000 paying subscribers (across education, direct and telcos), demonstrating consistent growth of real customers and revenues. Family Zone's rapid growth in subscriber numbers provides a strong endorsement and support for the Company's marketing and commercialisation strategy, as well as the commitment of staff to achieving commercial targets.

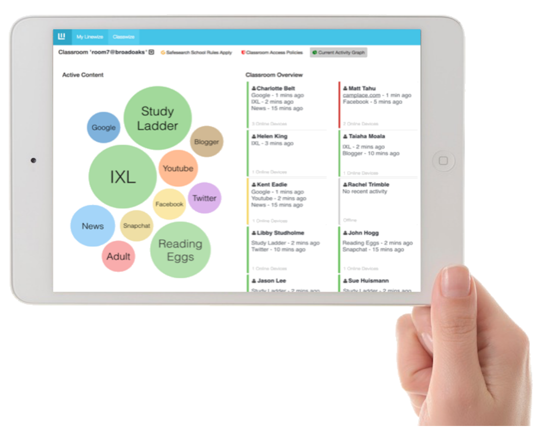
The majority of contracted revenues are driven by Family Zone's education business with the Company having a network of some 600 schools clients globally and 150 Partner Schools, which are actively promoting and mandating Family Zone's home and mobile offerings to their school communities.

## RAPID INTEGRATION OF LINEWIZE

In November 2017, Family Zone acquired New Zealand-based edu-tech company Linewize.

Linewize had developed a world class cloud-based firewall and a suite of tools and services to support school cyber safety and security. Linewize's technology was seen as synergistic and offered significant feature and cost structure improvements for the Company.

Since completion of the acquisition in November 2017 the Company has invested in upgrading Linewize and integrating it into the Company's broader platform.




Progress has met the Company's expectations and confirmed the value and potential of this deal.

In the March quarter:

- The Linewize platform was upgraded to support the majority of key functions required in the Australian market including SSL decryption and content caching.
- Linewize was chosen as the core platform for Family Zone's future on-premise filtering and firewall services. As of 1 April, the merged platform is the product now offered to all schools.
- Family Zone with Linewize at the core, was selected by an association of Yeshiva schools of Minnesota (USA). This is the Company's first full "partner school" win in the USA encompassing on-premise filtering & firewall, mobile zone services and Family Packs, acquired by the school and passed onto the parents.
- Linewize was deployed into two prestigious Australian schools.

The importance of the consolidation of our platforms and the roll-out of Linewize across our client base should be highlighted. Linewize offers Family Zone a step-change in features, operating costs and scalability.

## EXCITING PROGRESS IN NEW ZEALAND

With the acquisition of Linewize the Company acquired the existing business, staff and some 260 education clients.

The acquisition was completed at the end of the main sales period in New Zealand education. Notwithstanding, we have made good progress and we are pleased with results.

Progress includes:

- Signing 15 new schools;
- Converting 17 schools from license fees into our Partner arrangements; and
- Increasing contracted revenue in New Zealand by 20%.

As a transitional measure, the Company is currently trading under the name Linewize by Family Zone in New Zealand. Stepped-up marketing and sales efforts kicked off in April with exciting progress predicted.

## LANDMARK ODM DEAL WITH TCL & ALCATEL

During the Quarter, the Company signed an Application Reseller Agreement with TLC Mobile International Limited (**TLC Corporation**), the owner of the Alcatel brand.

Under this agreement TLC Corporation will embed Family Zone filtering technology and mobile App onto Alcatel smart devices sold in Australia and New Zealand.

This agreement is scheduled to commence with Alcatel's new device range set to launch mid 2018.

Headquartered in China, TCL Corporation is in the top 10 global manufacturers of smartphones, selling tens of millions of devices targeted towards prepaid youth and value conscious markets and is continually seeking new opportunities to drive value for their customers, partners and shareholders.

The agreement enables Alcatel to offer world leading parental control features to their customers and offers Family Zone an additional distribution network and the ability to deliver exceptional customer experience.

The combination of Alcatel's high performance devices, attractive prices and Family Zone's simple to use, universal and feature-rich cyber safety solution, offers telcos and their customers an unprecedentedly compelling value proposition.

Alcatel's devices are distributed directly to customers through retail outlets and also through partnerships with Australian telcos. Alcatel and Family Zone will jointly promote the devices to telcos, offering them not only a feature rich device, but also the opportunity to resell Family Zone services.

This partnership, with a global smart device manufacturer, represents a significant milestone in the Company's ecosystem approach to cyber safety and vision for Family Zone technology to be embedded on every device and network that our kids use.

# EXPANSION OF TECH AND INTO HONG KONG

In April 2018, the Company signed software licensing and collaboration agreements with Hong Kong based edu-tech developer 180C Limited (**180C**).

eSchoolPad BEST MDM PLATFORM FOR EDUCATION

180C's flagship offering is eSchoolPad. eSchoolPad is a device management platform that leverages the education and enterprise device management capabilities to enable fine grained control of student devices. Under the licensing agreement, 180C licences Family Zone to resell eSchoolPad and 180C agree to develop and support interfaces between eSchoolPad and Family Zone.

Adding eSchoolPad and device supervision to the Family Zone offering enables it to:

- More thoroughly lock down devices to meet schools and parents' needs;
- Offer more technology services to schools and a complete device management and filtering solution;
- Seek to reduce the number of edu-tech suppliers into schools by adding this feature set into Family Zone's stack; and
- Drive more value out of existing and new school clients.

The agreements with 180C enable Family Zone to introduce device supervision swiftly into its offering, which will improve its ability to support cyber safety programs across school communities and also provide access to an exciting market opportunity in Hong Kong, on the doorstep of China.

The partners plan to integrate the platforms over coming months with commercial launches into Australia, New Zealand and Hong Kong prior to September 2018.

# EXPANSION INTO INDIA

Continuing its rapid penetration into Asian telcos via our strategic alliance with Fidelio Partners, in February 2018 the Company announced a strategic wholesale deal with major Indian mobile network player Aircel.

Family Zone was once again selected following an evaluation against globally known brand names.

Unfortunately on 8 March 2018 Aircel filed for insolvency protection with the National Company Law Tribunal. These protections were filed under legislation comparable to Australia's Insolvency Administration and the USA's so called "Chapter 11". Accordingly debts are frozen and Aircel continues to trade as a going concern.

We do not have formal advice and we are not in a position to predict the outcome or impact of this insolvency.

While this situation is disappointing, Family Zone is confident of further traction in India and is in discussions with a range of telcos and equipment manufacturers.

### The Indian Market

India is a large and exciting market for Family Zone, offering scale and the full spectrum of opportunities including wholesale consumer services and educational offerings.

The upside potential of India is enormous. India is the world's fastest growing major economy, has more Facebook users than any other country and has a rapidly expanding middle class, already exceeding 250m.

The Indian population are conservative, religious and well educated. Whilst there are many languages and dialects, English is pervasive and research demonstrates a growing focus and concern around cyber safety and educational outcomes.

KEY STATISTICS FOR INDIA

| | |
|---|---|
| • Population | 1.3 bn |
| • Children (5-14) | 252 m |
| • Adolescents (15-19) | 100 m |
| • Youth literacy | 90% |
| • GDP growth | 6.7% |
| • Facebook Users | 241 m |
| • Mobile services | 1.18B |
| • Children with mobiles | 60% |

## Telco Strategy

Family Zone's strategic intent is to become an inherent cyber safety feature in much of the world's telco and networking services and products. Our Asian telco engagement is an important part of our strategy, offering Family Zone scale, presence, credibility and commercial opportunities.

Within 18 months of listing on the ASX, Family Zone is pleased that we have:

- Signed and launched a wholesale deal with Philippines' largest fixed wire operator, PLDT. PLDT has approximately 4m fixed line subscribers and has generated in excess of $700k of revenue for Family Zone to date.
- Signed and will soon launch a wholesale deal with Philippines' second largest mobile operator, Smart Communications. Smart has in excess of 60m subscribers and estimates an addressable market of some 8m children using smart devices.
- Signed and subsequently launched in pilot a wholesale deal with Indonesia's largest telco, Telkomsel. Telkomsel has in excess of 190m subscribers, adds 1m smart devices to its network monthly and services an estimated 14m minors. Family Zone has achieved over 10k registrations during an initial small targeted pilot phase. Full market launch is planned for Q3 of CY18.
- Executed agreement and wholesale deal to launch to Malaysia's No. 1 mobile operator. Family Zone will be promoted to Maxis's 11.6m prepaid and postpaid subscribers as a bundled and value-added service. Full market launch is scheduled for Q3 of CY18.

- Signed Term Sheet with Indian mobile operator Aircel possessing 90m mobile subscribers. Agreed strategy to bundle and offer as a VAS a co-branded Family Zone service to its large prepaid and postpaid user base. Target launch is unclear at this stage.

# UPDATE ON EMPLOYEE INCENTIVE SCHEMES

## ACHIEVEMENT OF IPO MILESTONE

During the quarter, the Company achieved a key milestone associated with 9.33m Performance Shares held by the founders of Family Zone and 1.16m Performance Shares held by key executives.

The Family Zone founders were issued 28m Performance Shares in consideration for the cancellation of close to half of their shares in the Company prior to the Company's IPO in August 2016. At the time, the founders had invested in excess of $1.45m and have since increased their cash investment. The Performance Shares were issued in three classes and convert into ordinary shares (on a one for one basis) subject to the achievement of performance milestones.

The first performance milestone was set as a 'proof point' for the viability of the Family Zone product. The hurdle was set as achievement of 15,000 paying subscribers generating at least $100,000 revenue per month over 3 consecutive months.

Subsequent performance milestones were based on demonstrating value in Family Zone's strategy of leveraging an ecosystem to drive consumer revenues. These second and third performance milestones were set at achievement of annual consumer revenues of $10m and $20m within 3 and 4 years respectively.

At the conclusion of the March quarter, a review by the Company's auditors concluded the first performance milestone had been achieved and 10.5m Performance Shares held by the founders and executives converted into ordinary shares. The achievement of this performance milestone also resulted in 1.48m Performance Rights (held by key executives) vesting.

## EMPLOYEE INCENTIVE SCHEMES

The Board of the Company seeks to ensure all employees are incentivised and aligned. The Board is of the view that this is an important mechanism to drive outcomes in a fast moving start-up environment.

Accordingly, during the quarter, the Board established an incentive plan which incorporates all staff. Under the plan, a pool of Options has been set aside to be allocated to eligible employees if the Company meets key performance targets.

The target for 2018 is achieving an additional 70,000 paying customer accounts by the end of 2018. If achieved, this would see Family Zone at 100,000 paying customer accounts.

The number of Options to be allocated is determined based on a percentage of the target achieved. No Options will be issued if the Company adds fewer than 35,000 paying accounts by 31 December 2018.

The Board is pleased with the reception of this scheme by staff. It has clearly achieved the desired effect on effort and focus.

## About Family Zone

Family Zone is an ASX-listed technology company focused on cyber safety. Meeting a growing demand to keep kids safe online and manage digital lifestyles, Family Zone has developed a unique and innovative cloud-based solution which combines Australian innovation with leading global technology.

To learn more about the Family Zone platform and the Company please visit www.familyzone.com.

**For more information, please contact:**

**Tim Levy**
Managing Director
timl@familyzone.com
+61 413 563 333

**Tim Allerton**
City Public Relations
media@familyzone.com
+61 412 715 707

**Tim Dohrmann**
Investor Relations
tim@nwrcommunications.com.au
+61 468 420 846

*+Rule 4.7B*

# Appendix 4C

# Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Family Zone Cyber Safety Limited

| **ABN** | **Quarter ended ("current quarter")** |
|---|---|
| 33 167 509 177 | 31 March 2018 |

| **Consolidated statement of cash flows** | | | **Current quarter $A'000** | **Year to date (9 months) $A'000** |
|---|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | | |
| 1.1 | Receipts from customers | | 1,203 | 1,685 |
| 1.2 | Payments for | | | |
| | (a) | research and development | - | - |
| | (b) | product manufacturing and operating costs | (647) | (1,241) |
| | (c) | advertising and marketing | (335) | (766) |
| | (d) | leased assets | - | - |
| | (e) | staff costs | (2,209) | (6,141) |
| | (f) | administration and corporate costs | (1,135) | (3,119) |
| 1.3 | Dividends received (see note 3) | | - | - |
| 1.4 | Interest received | | 7 | 15 |
| 1.5 | Interest and other costs of finance paid | | - | - |
| 1.6 | Income taxes paid | | - | - |
| 1.7 | Government grants and tax incentives | | - | 2,584 |
| 1.8 | Other (provide details if material) | | - | - |
| **1.9** | **Net cash from / (used in) operating activities** | | **(3,115)** | **(6,982)** |

| | | | | |
|---|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | | |
| 2.1 | Payments to acquire: | | | |
| | (a) | property, plant and equipment | - | (56) |
| | (b) | businesses (see item 10) | - | (180) |
| | (c) | investments | - | - |

| **Consolidated statement of cash flows** | | **Current quarter $A'000** | **Year to date (9 months) $A'000** |
|---|---|---|---|
| | (d) intellectual property | - | (465) |
| | (e) other non-current assets | - | - |
| 2.2 | Proceeds from disposal of: | | |
| | (a) property, plant and equipment | - | - |
| | (b) businesses (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) intellectual property | - | - |
| | (e) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | 14 |
| **2.6** | **Net cash from / (used in) investing activities** | **-** | **(687)** |

| | | | |
|---|---|---|---|
| **3.** | **Cash flows from financing activities** | | |
| 3.1 | Proceeds from issues of shares | 233 | 11,151 |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | - | - |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| **3.10** | **Net cash from / (used in) financing activities** | **233** | **11,151** |

| | | | |
|---|---|---|---|
| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
| 4.1 | Cash and cash equivalents at beginning of quarter/year to date | 7,787 | 1,480 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (3,115) | (6,982) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | (687) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 233 | 11,151 |

| **Consolidated statement of cash flows** | | **Current quarter $A'000** | **Year to date (9 months) $A'000** |
|---|---|---|---|
| 4.5 | Effect of movement in exchange rates on cash held | 32 | (25) |
| **4.6** | **Cash and cash equivalents at end of quarter** | **4,937** | **4,937** |

| **5.** | **Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | **Current quarter $A'000** | **Previous quarter $A'000** |
|---|---|---|---|
| 5.1 | Bank balances | 4,937 | 7,787 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| **5.5** | **Cash and cash equivalents at end of quarter (should equal item 4.6 above)** | **4,937** | **7,787** |

| **6.** | **Payments to directors of the entity and their associates** | **Current quarter $A'000** |
|---|---|---|
| 6.1 | Aggregate amount of payments to these parties included in item 1.2 | (151) |
| 6.2 | Aggregate amount of cash flow from loans to these parties included in item 3.6 | - |

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Director wages and salaries

| **7.** | **Payments to related entities of the entity and their associates** | **Current quarter $A'000** |
|---|---|---|
| 7.1 | Aggregate amount of payments to these parties included in item 1.2 | (22) |
| 7.2 | Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Company secretarial and financial management services

| **8.** | **Financing facilities available** *Add notes as necessary for an understanding of the position* | **Total facility amount at quarter end $A'000** | **Amount drawn at quarter end $A'000** |
|---|---|---|---|
| 8.1 | Loan facilities | - | - |
| 8.2 | Credit standby arrangements | - | - |
| 8.3 | Other (please specify) | - | - |

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

| **9.** | **Estimated cash outflows for next quarter** | **$A'000** |
|---|---|---|
| 9.1 | Research and development | - |
| 9.2 | Product manufacturing and operating costs | 250 |
| 9.3 | Advertising and marketing | 190 |
| 9.4 | Leased assets | - |
| 9.5 | Staff costs | 2,100 |
| 9.6 | Administration and corporate costs | 1,200 |
| 9.7 | Other (provide details if material) | - |
| **9.8** | **Total estimated cash outflows** | **3,740** |

| **10.** | **Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)** | **Acquisitions** | **Disposals** |
|---|---|---|---|
| 10.1 | Name of entity | - | - |
| 10.2 | Place of incorporation or registration | - | - |
| 10.3 | Consideration for acquisition or disposal | - | - |
| 10.4 | Total net assets | - | - |
| 10.5 | Nature of business | - | - |

-

## Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: ............................................................ Date:23/04/2018........................
(Company secretary)

Print name: Emma Wates........................................................

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.

2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.