



ASX ANNOUNCEMENT

5 December 2016

APPENDIX 3B – EMPLOYEE OPTIONS AND PERFORMANCE SHARES

The Board of Family Zone Cyber Safety Limited (ASX: FZO) (**Company**) has issued 1,614,280 Employee Options (1,000,000 of which are subject to ASX escrow) pursuant to the Company's Employee Share Option Plan (**ESOP**) and 500,000 Performance Shares (subject to ASX escrow) as an incentive and consideration for services to the Company. An Appendix 3B outlining these issues is attached

The Company also advises that 769,828 Employee Options (\$0.33, 19 Sept 2019) have lapsed and been cancelled.

Yours sincerely

Emma Wates
Company Secretary

About Family Zone

Family Zone is an ASX listed and operated technology company focused on cyber safety. Meeting a growing demand to keep kids and families safe online, Family Zone has developed a unique and innovative cloud-based parental control 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.

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Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Family Zone Cyber Safety Limited

ABN

33 167 509 177

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1	+Class of +securities issued or to be issued	Unquoted Options Performance Shares
2	Number of +securities issued or to be issued (if known) or maximum number which may be issued	1,614,280 Unquoted Options 166,667 Class A Performance Shares 166,667 Class B Performance Shares 166,666 Class C Performance Shares

+ See chapter 19 for defined terms.

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- 3 Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)

Unquoted Options

Exercise price - \$0.33

Expiry -19 September 2019

The Options are subject to the following Vesting Conditions:

- i. 25% of the options will vest and become exercisable upon the Company having 20,000 paying subscribers registered by 31 December 2017;
- ii. 25% of the options will vest and become exercisable upon the Company having 30,000 paying subscribers registered by 31 December 2017; and
- iii. 50% of the options will vest and become exercisable upon the Company achieving \$10,000,000 of customer revenue in any of the financial years ended 30 June 2017, 30 June 2018 or 30 June 2019

Class A Performance Shares

On achievement of 15,000 paying subscribers of the Company generating at least \$100,000 revenue per month over 3 consecutive months within 24 months of the Company being admitted to the official list of the ASX, each Class A Performance Share will convert on a one for one basis into a Share.

Class B Performance Shares

On achievement of \$10,000,000 revenue by the Company over a 12 month rolling period of which 30% is subscription income within 36 months of the Company being admitted to the official list of the ASX, each Class B Performance Share will convert on a one for one basis into a Share.

Class C Performance Shares

On achievement of \$20,000,000 revenue by the Company over a 12 month rolling period of which 30% is subscription income within 48 months of the Company being admitted to the official list of the ASX, each Class C Performance Share will convert on a one for one basis into a Share.

Refer to the Company's Prospectus dated 12 July 2016 for full terms and conditions of Performance Shares.

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<p>4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Unquoted Options No. On exercise of the Unquoted Options, fully paid ordinary shares will be issued which will rank equally with the Company's fully paid ordinary shares currently on issue.</p> <p>Performance Shares No. On achievement of the performance milestones, the Performance Shares will convert into fully paid ordinary shares which will rank equally with the Company's fully paid ordinary shares currently on issue.</p>
<p>5 Issue price or consideration</p>	<p>Nil cash consideration</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Issue of options under the Company's Employee Share Options Plan and Performance Shares to an employee as an incentive and consideration for ongoing services to the Company.</p>
<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>Yes</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>30 November 2016</p>
<p>6c Number of +securities issued without security holder approval under rule 7.1</p>	<p>500,000 Performance Shares (comprising 166,667 Class A Performance Shares, 166,667 Class B Performance Shares and 166,666 Class C Performance Shares)</p>
<p>6d Number of +securities issued with security holder approval under rule 7.1A</p>	<p>Nil</p>

+ See chapter 19 for defined terms.

6e Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)

1,000,000 Unquoted Options Shareholder approval was obtain on 30 November 2016

6f Number of +securities issued under an exception in rule 7.2

614,218 Unquoted Options issued under the Company's ESOP (Exception 9).

6g If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.

N/A

6h If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements

N/A

6i Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements

Refer to Annexure 1

7 +Issue dates

Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.

5 December 2016

	Number	+Class
8 Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	44,091,928	Ordinary fully paid shares

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	13,233,637	Fully paid ordinary shares escrowed until 29 August 2018
	4,000,000	Unquoted options (\$0.25, 20 May 2019) escrowed until 29 August 2018.
	3,348,750	Unquoted options (\$0.25, 29 August 2019) escrowed until

	29 August 2018.
9,500,001	Class A Performance Shares escrowed until 29 August 2018 (Conversion ratio into ordinary shares 1:1)
9,500,000	Class B Performance Shares escrowed until 29 August 2018 (Conversion ratio into ordinary shares 1:1)
9,499,999	Class C Performance Shares escrowed until 29 August 2018 (Conversion ratio into ordinary shares 1:1)
4,652,141	Fully paid ordinary shares escrowed for 12 months from issue dates from 14.03.2016 to 06.05.2016.
6,745,001	Unquoted options (\$0.25, 29 August 2019) escrowed until 23 August 2017
3,725,410	Unquoted options (\$0.33, 19 September 2019) subject to various vesting conditions
1,000,000	Unquoted options (\$0.33, 19 September 2019) subject to various vesting conditions escrowed until 29 Aug 2018

10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)

Part 2 - Pro rata issue

11 Is security holder approval required?

N/A

12 Is the issue renounceable or non-renounceable?

N/A

13 Ratio in which the [†]securities will be offered

N/A

[†] See chapter 19 for defined terms.

14	+Class of +securities to which the offer relates	N/A
15	+Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A
19	Closing date for receipt of acceptances or renunciations	N/A

20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A

+ See chapter 19 for defined terms.

32 How do security holders dispose of their entitlements (except by sale through a broker)?

33 ⁺Issue date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of ⁺securities
(tick one)

(a) ⁺Securities described in Part 1

(b) All other ⁺securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories

1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

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Entities that have ticked box 34(b)

38 Number of +securities for which +quotation is sought

39 +Class of +securities for which quotation is sought

40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another +security, clearly identify that other +security)

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)		

+ See chapter 19 for defined terms.

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Quotation agreement

1 +Quotation of our additional +securities is in ASX’s absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:Date: 5 December 2016.....
(Company secretary)

Print name: .Emma Wates.....

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	61,977,706
Add the following: <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	Nil
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	61,977,706

+ See chapter 19 for defined terms.

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Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	9,296,656
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>7,721,165 fully paid ordinary shares agreed to be issued pursuant to Fidelio Agency Agreement (as varied).</p> <p>166,667 Class A Performance Shares; 166,667 Class B Performance Shares; and 166,666 Class C Performance Shares Issued under this Appendix 3B</p>
“C”	8,221,165
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	9,296,656
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	8,221,165
<p>Total [“A” x 0.15] – “C”</p>	<p>1,075,491</p> <p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	61,977,706
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	6,197,771
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	0
“E”	0

+ See chapter 19 for defined terms.

Step 4: Subtract "E" from ["A" x "D"] to calculate remaining placement capacity under rule 7.1A	
"A" x 0.10 <i>Note: number must be same as shown in Step 2</i>	6,197,771
Subtract "E" <i>Note: number must be same as shown in Step 3</i>	0
Total ["A" x 0.10] – "E"	6,197,771 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.