



ASX ANNOUNCEMENT

16 December 2016

COMPLETION OF ACQUISITION SONAR/MYNET CYBER SAFETY IP

Family Zone Cyber Safety Limited (**Family Zone** or **Company**) is pleased to advise that the acquisitions, announced to the market on 8 November 2016, of the:

- intellectual property rights in the cyber security and education platform Sonar/MyNet from Tesseract Limited (**Tesseract**); and
- Compliance and Application Security Manager (CASM) client filtering technology from Tracy Smyth AFT the Tracy Consulting Trust

have been completed.

Pursuant to the acquisition agreements, the Company has paid \$750,000 in cash and issued 1,000,000 Shares to Tesseract in consideration for the acquisition of the Sonar/MyNet IP and issued 833,333 Shares to Tracy Smyth AFT the Tracy Consulting Trust for the acquisition of the CASM client filtering technology. The issue of these Shares was approved by Shareholders at a General Meeting on 13 December 2016.

A notice under section 708A(5)(e) of the Corporations Act and Appendix 3B in respect to these Share issues is attached.

For further information regarding the Sonar/MyNet and CASM technology, terms of the acquisitions and associated agreements please refer to the Company's announcements dated 8 November 2016 and Notice of Meeting lodged with ASX on 11 November 2016.

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.



NOTICE UNDER SECTION 708A(5)(e) OF THE CORPORATIONS ACT 2001

This notice is given by Family Zone Cyber Safety Limited (ASX: FZO) (**Family Zone** or the **Company**) in relation to an issue of:

- 1,000,000 fully paid ordinary shares in the Company (**Shares**) to Tesseract Australia Pty Ltd as part consideration for the acquisition of Sonar/MyNet cyber safety IP from Tesseract Limited (ASX:TNT) (as announced on 8 November 2016); and
- 833,333 Shares to Tracy Smyth AFT the Tracy Consulting Trust as consideration for the acquisition of the CASM computing application owned by Robert Smyth (a previous executive of Tesseract Limited who has joined the Company as VP Sales) (as announced on 8 November 2016),

without disclosure to investors under Part 6D/2 of the Corporations Act 2001 (Cth) (**Act**).

The Company's shareholders approved the above Share issues at a General Meeting held on 13 December 2016.

An Appendix 3B in respect of the above Share issues is attached. The Appendix 3B also includes the issue of the Performance Shares (approved by Shareholders on 13 December 2016) and Employee Options issued under the Company's Employee Share Option Plan (ESOP) to key executives Rob Smyth and Nick Conolly who have joined the Company following completion of the Sonar/MyNet IP.

The Company hereby notifies ASX under section 708A(5)(e) of the Act that:

- a) the Shares were issued without disclosure to investors under Part 6D.2 of the Act;
- b) the Company is providing this notice under paragraph (5)(e) of section 708A of the Act;
- c) as at the date of this notice, the Company has complied with the provisions of Chapter 2M of the Act as they apply to the Company;
- d) as at the date of this notice, the Company has complied with section 674 of the Act; and
- e) as at the date of this notice, there is no information:
 - i) that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
 - ii) that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
 - B) the rights and liabilities attaching to the shares.

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	Fully Paid Ordinary Shares (Shares) Employee Options Performance Shares
2	Number of +securities issued or to be issued (if known) or maximum number which may be issued	1,833,333 Shares 6,000,000 Employee Options 999,999 Class A Performance Shares 999,999 Class B Performance Shares 999,999 Class C Performance Shares

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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)

Shares

Fully paid ordinary shares

Employee Options

Exercise price - \$0.30

Expiry -15 December 2019

The Options are subject to the following Vesting Conditions:

- i. 25% of the Options will vest and become exercisable upon the Company achieving \$2.0 million Cumulative Revenue in 24 months from engagement or 20,000 Paying Zones
- ii. 25% of the Options will vest and become exercisable upon the Company achieving \$4.0 million Cumulative Revenue in 24 months from engagement or 30,000 Paying Zones;
- iii. 25% of the Options will vest and become exercisable upon the Company achieving \$8.0 million Cumulative Revenue in 24 months from engagement or 40,000 Paying Zones
- iv. 25% of the Options will vest and become exercisable upon the Company achieving \$10.0 million Cumulative Revenue in 24 months from engagement or 50,000 Paying Zones

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.

<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>Shares Yes</p> <p>Employee 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>Shares 1,000,000 Shares issued in part consideration for the acquisition of the Sonar/MyNet IP from Tesseract and 833,333 Shares issued in consideration the acquisition of the CASM client software as outlined in the Company's NOM lodged with ASX on 11 November 2016 and approved by Shareholders on 13 December 2016.</p> <p>Employee Options and Performance Shares Issue of options under the Company's Employee Share Option Plan and Performance Shares to new employees as an incentive and consideration for services to be provided 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>

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6c	Number of +securities issued without security holder approval under rule 7.1	Nil	
6d	Number of +securities issued with security holder approval under rule 7.1A	Nil	
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	1,833,333 Shares 999,999 Class A Performance Shares 999,999 Class B Performance Shares 999,999 Class C Performance Shares Shareholder approval was obtain on 13 December 2016	
6f	Number of +securities issued under an exception in rule 7.2	6,000,000 Employee 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.	16 December 2016	
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	Number	+Class
		45,091,928	Ordinary fully paid shares

9 Number and ⁺class of all ⁺securities not quoted on ASX (including the ⁺securities in section 2 if applicable)

Number	⁺ Class
13,233,637	Fully paid ordinary shares escrowed until 29 August 2018
4,652,141	Fully paid ordinary shares escrowed for 12 months from issue dates from 14.03.2016 to 06.05.2016.
833,333	Fully paid ordinary shares escrowed until 15 June 2017
10,500,001	Class A Performance Shares escrowed until 29 August 2018 or 29 August 2017 (Conversion ratio into ordinary shares 1:1)
10,499,999	Class B Performance Shares escrowed until 29 August 2018 or 29 August 2017 (Conversion ratio into ordinary shares 1:1)
10,499,998	Class C Performance Shares escrowed until 29 August 2018 (Conversion ratio into ordinary shares 1:1)
4,000,000	Incentive options (\$0.25, 20 May 2019) escrowed until 29 Aug 2018.
3,348,750	Unquoted options (\$0.25, 29 August 2019) escrowed until 29 August 2018.
6,745,001	Unquoted options (\$0.25, 29 August 2019) escrowed until 23 August 2017
3,725,410	Employee options (\$0.33, 19 September 2019) subject to various vesting conditions
1,000,000	Employee options (\$0.33, 19 September 2019) subject to various vesting conditions escrowed until 29 Aug 2018
6,000,000	Employee options (\$0.30, 15 Dec 2019) subject to various vesting

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conditions.

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

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
N/A
Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.

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

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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

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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)		

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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
<p>Add the following:</p> <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> 	1,833,333 Shares issued under this Appendix 3B (Shareholder approval obtained on 13 December 2016)
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	63,811,039

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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	9,571,655
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 Appendix 3B dated 2 December 2016</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>	9,571,656
<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>1,350,490</p> <p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p>

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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>	63,811,039
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	6,381,104
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

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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>	6,381,104
Subtract "E" <i>Note: number must be same as shown in Step 3</i>	0
Total ["A" x 0.10] – "E"	6,381,104 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.