



ASX Announcement

PERTH - 27 APRIL 2017

QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C

- Continued growth in consumer direct with the Company surpassing 7,000 accounts and 20,000 users in Australia.
- Exciting progress in telecoms partnerships with a strategically important agreement reached with major Indonesian telco carrier Telkomsel
- Rapid progress in education with the launch of School Zone, a first-of-its-kind integrated school, home and mobile cyber safety service plus significant growth in the Company's USA footprint (now 81 schools)
- Continued successes in building brand and strategic partnerships including with eSports innovator Flaktest Gaming
- Completion of heavily oversubscribed share placement raising \$3.29 million (\$0.7 million to be received in June quarter)

Family Zone Cyber Safety Ltd (ASX: FZO, Family Zone or the Company) is pleased to present its Quarterly Cash Flow Report for the three months ending 31 March 2017 and update on business progress.

The Company made encouraging strides during the quarter as it scaled up its operations to meet the growing demand to keep children safe online and manage digital lifestyles, in line with the strategic plan outlined in its prospectus.

OPERATIONAL HIGHLIGHTS

During the quarter, Family Zone gained significant traction with new customers and partners among consumers, schools and telco carriers in several large addressable markets.

Telecommunications partnerships

The Company has a unique eco-system vision for cyber safety within which providers of internet access can employ Family Zone technology and become part of a universal solution for cyber safety.



For telcos Family Zone offers an in-demand value added service to their range and to deal with increasing pressure from communities and governments for family friendly features. Family Zone enables this for little cost.

During the quarter the Company continued to drive telco partnerships and importantly signed an agreement with Telkomsel Indonesia. Telkomsel is one of the premier telcos in the region and one of the largest mobile operators in the world and is 35% owned by SingTel.

This is the second agreement the Company has signed with a globally significant telco carrier, and provides a strong endorsement of the Company's cyber safety offering.

In the short time since listing on the ASX the Company has achieved:

- An agreement and commercial launch of a full-suite wholesale service with PLDT, Philippines' largest telco provider;
- Agreement with Asia's largest Telco, Telkomsel to undertake joint testing and development of Family Zone's products with the objective of offering as a value added service to their pre and post paid market segments;
- A successful partnership with Optus service provider OVO Mobile; and
- A commercial launch with USA ISP, Innovative Air in UTAH, USA.

The Company is pleased to advise that positive discussions are in progress with telcos across Australia, Asia and USA.

Progress continue is access equipment partnerships

The Company's innovative cyber safety model includes technology that can not only be deployed in telco-networks and on user-devices but also embedded in access-points like home routers/models.

For the purpose of launch the Company built a custom WiFi access point (known as the Box). The Company's innovative technology has however been developed with a view to being embedded in 3rd party access points, to leverage distribution opportunities and to provide these manufacturers points of difference in a commoditised industry.

As previously reported the Company had reached an agreement with IgniteNet to embed Family Zone technology in their wireless access points. IgniteNet is part of the large Accton group (based out of Asia) and offers wireless equipment for sale through some 2,000 ISPs and resellers in USA.

The Company is pleased to advise that a trial platform has been developed with IgniteNet within which their customers (ISPs) can enable Family Zone as a bundled offer within their internet offerings. This facility is planned for launch in Q2, 2017, opening up opportunities with some 10,000 ISPs globally.

The Company is excited about opportunities with equipment providers and expects to invest more time in these partnerships in coming months.

Launch of School Zone

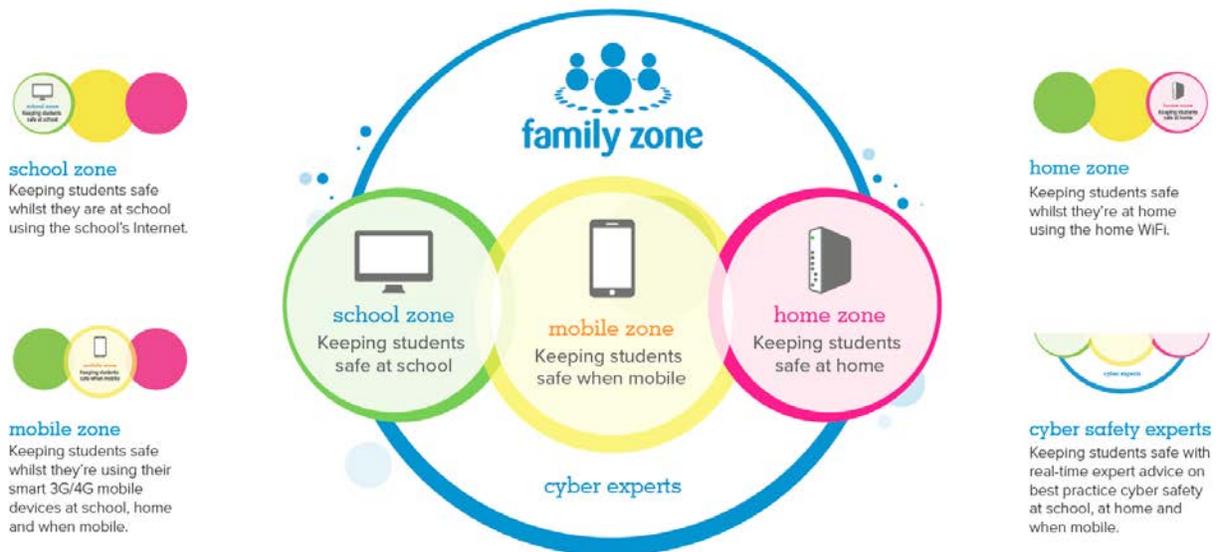
School Zone is an exciting innovation in education, cybersafety and digital citizenship. School Zone permits schools for the first time to work with the community on cyber safety engagement. All parties work on the same platform, get transparency and access to best of breed services.



School Zone represents a significant market focus for the Company as schools are increasingly dealing with the impacts of technology use both at school and off schools grounds. Schools are responding to these challenges with initiatives such as digital citizenship programmes aimed at empowering kids with education and cyber safety programmes aimed at building awareness and engagement with the broader school community.

Schools provide a large and engaged market through which the Company can cross sell its consumer services offering, a seamless cyber safety services across schools, homes, smart devices, mobile networks and hotspots.

The Family Zone cyber safety ecosystem is a suite of unified products and services that provides an unrivalled cyber safety experience for your school community.



The Company was proud to announce the launch of School Zone during the quarter making it available to its existing school clients in Australia.

The Company is now working with its 180 existing Australian installed clients to add School Zone to their firewall. The launch of School Zone in USA is being scheduled for early in H2, 2017.

Exciting Progress in Education in Australia

During the past quarter the Company has worked hard to develop an educational sales capability. Driven by experienced educational sales executive Rob Smyth, the Company is pleased to advise that a high calibre team has been established in Victoria.

With the launch of School Zone the educational sales team has started engaging with existing and new potential school partners and has developed innovative commercial models with encouraging take-up by parents in the community.

The Company has been encouraged with responses from education providers and is pleased to advise that 6 of Australia's leading schools have signed-on to partnership programmes mandating the use of Family Zone's technology by parents.



270% growth in US education footprint

The Company launched its cyber safety platform in the US in December 2016 following the completion of its acquisition of cyber safety education platform Sonar/MyNet (now “School Zone”).

The Company is not as yet in sales mode in US schools and has only recently engaged a local distributor directly to promote the Company’s offerings.

Notwithstanding the Company has achieved significant growth in the quarter with 81 schools in West Virginia now using Family Zone technology, up from 47 (a 270% increase).

The Company expects to make School Zone available to US schools in late Q2 with sales processes taking off in H2 2017, with the learnings of our Australian sales efforts.

Direct consumer growth

The Company is pleased with direct consumer signups to the Family Zone service with the Company breaking through 7,000 accounts and 20,000 users.

With growing sign-ups the Company is working to fine tune messaging and services to encourage sign-up customers into engagement with the service and entering into subscription contracts.

In the the coming quarter the Company plans to release significant updates to the Family Zone platform (the Portal) and website and marketing communications processes.

Brand and awareness activities

As part of its market focus on schools and the broader school communities, the Company formed a strategic partnership during the quarter with eSports tournament provider Flaktest Gaming and Australian cyber safety experts ySafe Solutions.

Under the partnership arrangement, Flaktest Gaming will directly market Family Zone to 200 schools as part of its upcoming series of eSports tournaments. Family Zone will bundle its hardware and cloud-based solution with parental controls advised by YSafe Solutions in a special offer to Flaktest gamers and their families.

CORPORATE HIGHLIGHTS AND CAPITAL MANAGEMENT

During the period, the Company completed an oversubscribed placement to sophisticated, institutional and strategic investors at \$0.20 per share to raise \$3.29 million (before costs) (March Placement).

The placement funds were receivable in tranches with \$2.59 million received in the current quarter and \$0.70 million to be received in the June quarter.

The Company’s strategic SE Asian partner, Fidelio (backed by former CEO of Virgin Group David Baxby) invested \$0.5 million in the March Placement highlighting its support and commitment to the Company.

The Company is deploying net proceeds of the capital raising together with existing funds to support Family Zone’s business development, marketing and sales activities, provide working capital and to



strengthen the Company's balance sheet. During the quarter the Company paid a further \$0.50 million instalment for the acquisition of the Sonar/MyNet IP with the final instalment of \$2.0 million to be paid in the June 2017 quarter.

The Company is committed to executing and delivering on its business plan as well as taking advantage of market opportunities as they arise. Subsequent to the end of the March quarter, Family Zone business development has continued strongly with new and existing customers and partners among consumers, schools and telco carriers in Australia, Asia and the US.

The Company's cash balance at 31 March 2017 was \$2.22 million.

As previously announced the Company notes the following cash inflows expected to be received in the June 2017 quarter:

- \$0.5 million of the March Placement funds were received from Fidelio on 11 April 2017. The final \$0.2 million March Placement funds was approved by Shareholders at a members meeting held on 26 April 2017 and will be received from Directors and executives
- A share placement to Robert Smyth at \$0.30 per share to raise \$1.0 million pursuant to the Smyth Placement Agreement;
- Receipt from PLDT for circa \$750k for Work Zone access points; and
- Research and Development Tax Incentives refund and Export Market Development Grant totalling approximately \$0.67 million.

The Company looks forward to updating investors on the outcomes of ongoing business development discussions and the impact on the business from potential new partnerships.

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.

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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

33 167 509 177

Quarter ended ("current quarter")

31 March 2017

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	264	454
1.2 Payments for		
(a) research and development	(47)	(287)
(b) product manufacturing and operating costs	(494)	(1,253)
(c) advertising and marketing	(370)	(672)
(d) leased assets	-	-
(e) staff costs	(913)	(1,960)
(f) administration and corporate costs	(348)	(1,031)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,907)	(4,742)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(37)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property	(550)	(1,659)
(e) other non-current assets	-	(8)
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)	-	-
2.6 Net cash from / (used in) investing activities	(553)	(1,704)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares (net of issue costs)	2,427	8,465
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	-	(578)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	105	(61)
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	2,532	5,416

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	2,150	720
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,907)	(4,742)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(553)	(1,704)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,532	7,948

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	-	-
4.6	Cash and cash equivalents at end of quarter	2,222	2,222

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	2,222	2,150
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)	2,222	2,150

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	(138)
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	(36)
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 <i>Add notes as necessary for an understanding of the position</i>	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	147
9.3 Advertising and marketing	277
9.4 Leased assets	-
9.5 Staff costs	1,134
9.6 Administration and corporate costs	316
9.7 Other (provide details if material) ¹	2,103
9.8 Total estimated cash outflows²	3,977

¹ Includes final completion payment of \$2m for the acquisition of the Sonar/MyNet IP from Tesserent. Refer to ASX announcement on 8 November 2016 and NOM lodged with ASX on 11 November 2016 for further information.

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	-	-

