



ASX Announcement

Quarterly Activities Report for period ended 31 December 2016

PERTH - 31 JANUARY 2017

Family Zone Cyber Safety Limited (ASX: FZO) (**Family Zone** or the **Company**) has developed the innovative Family Zone platform and associated technology which enables user groups to choose a “managed internet experience”.

The Company’s platform has been developed to service consumer and enterprise markets and supports direct sales and partnering through providers of connectivity, e.g. telcos. The Company’s commercialisation strategy is to create market momentum in consumer direct and schools and expand globally through partnerships.

The Company is pleased to present this quarterly activities report for the quarter ending 31 December 2016.

HIGHLIGHTS FOR THE QUARTER

- In Australia, the Company is enjoying strong consumer sign ups and revenue growth through marketing campaigns and promotional partnerships.
- In education, the Company completed the acquisition of a leading cyber security platform with circa 250 installs in Australia and the USA providing access to over 200,000 families.
- In the USA, the Company has soft launched the Family Zone consumer service, has set-up a local operation and is working with partners and it’s installed base of 67 schools.
- In enterprise services, the Company launched the Work Zone workforce optimisation solution and have received an order for 9,500 Work Zone access points and recently completed its first Australian deployment within a community village hotspot solution.
- In carrier retail partnerships, the Company launched a successful promotion with Australian provider OVO Mobile and is in discussions with a number of others in Australia and USA.
- In carrier wholesale partnerships, the Company launched a co-branded service with major Philippines carrier PLDT and is in discussions with a number of other major carriers in Asia.
- Growing consumer revenue, significant carrier sales revenue, material grants and tax refunds plus a previously announced \$1m placement at 30c will provide a significant financial boost to the Company in this quarter.

MANAGING DIRECTOR'S SUMMARY

Commercialisation successes

We are pleased with the exceptional progress the Company has made since our last quarterly update. Clearly across all of the commercialisation paths flagged in our IPO prospectus the Company is making tangible progress.

- Consumer sign ups and revenue are growing at or above target;
- Generation of sales activity around schools has been significantly boosted by the acquisition of Sonar/Mynet (now called "School Zone");
- Our work with carriers in Asia and the level of interest being received is not only verifying our confidence in our partner distribution strategy but it has also identified new and compelling "use-cases" for the Family Zone platform; and
- The Company has swiftly established a base of operation in the USA, including an experienced team, and now have Family Zone technology deployed in some 67 schools.

The opportunities of 2017

The Company's focus for 2017 is to consolidate on the work of the past six months and generate revenue growth from the established channels. Our key objectives for the 2017 calendar year are to grow consumer revenue in Australia and USA, to drive consumer sales from School Zone schools and close deals with major Asian telcos.

Funding and capital management

As at December 31, 2016 the company had \$2m in the bank.

The acquisition of Sonar/MyNet was made in large part in cash with the final installments of \$500k and \$2m due on 28 Feb and 30 May respectively.

The Company seeks to ensure investors, and the broader market, have the confidence that funding is in place to deliver on our business plan and take advantage of market opportunities.

In this regard, in addition to growing customer revenue, we highlight that short term funding injections are expected from the following:

- Claims for Research and Development Tax Incentives and Export Market Development Grants covering expenditure in excess of \$1.5m;
- A placement of 3,333,333 shares to Robert Smyth at 30c per share to raise \$1m;
- GST refunds expected of approximately \$250,000;
- Progressive sell-down of Australian held inventory; and
- Receipt from PLDT for circa \$750k for Work Zone access points.

OPERATIONAL UPDATE

Consumer sales taking off

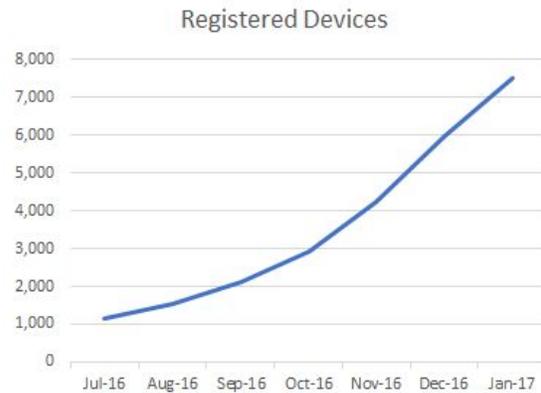
The Company's consumer sales continue to grow and our cost of acquisition is falling as the Family Zone brand and service offering becomes better known.

As a demonstration of the penetration of Family Zone across Australia our platform has registered over 10,000 users, has filtered over 7,500 devices and has received requests from parents to register some 300 school networks into our platform registered.

Pleasingly in the December quarter we launched our first retail partnership with a telco provider, Australian based OVO Mobile.

This partnership targets the estimated 4 million minors with mobile phone services in Australia. Our objective is not only generating revenue, but also to demonstrate that "kids mobiles" is a legitimate segment and targeting parents desire for "peace of mind" will result in market penetration.

Our promotion and partnership with OVO Mobile is barely a month old and has been a demonstrable success for both parties. The Company is poised for further direct consumer sales and having a leveragable success story.



School Zone to provide further acceleration

In December 2016 the Company successfully completed the acquisition of one of Australia's leading cyber security and education platform Sonar/MyNet from Tesserent Limited (**Tesserent**) and engaged Tesserent as its global reseller and distribution partner.

The Company's market research has highlighted the importance and influence of schools over the technology used by parents in the home. The acquisition allows the Company to fast track its sales strategy into school communities, by identifying families that are prime candidates for a service such as Family Zone.

At the time of acquisition Sonar/MyNet had 180 installs in Australia and was being implemented in 47 in the USA. This has since increased to 183 and 67 respectively.

The transaction has delivered the Company:

- Immediate licence fee revenues of \$840,000 pa; and
- Significant market opportunity to cross sell its consumer services to the 200,000+ families associated with the schools using the Sonar/MyNet platform.



The acquisition has also rounded out the Company's product offerings and suite of technologies. The Company is confident it has the broadest range of cyber safety and security technologies of any provider in the market.

SIMPLE | ONE POLICY EVERYWHERE | AFFORDABLE | VALUE ADDING | ADVANCED FEATURES

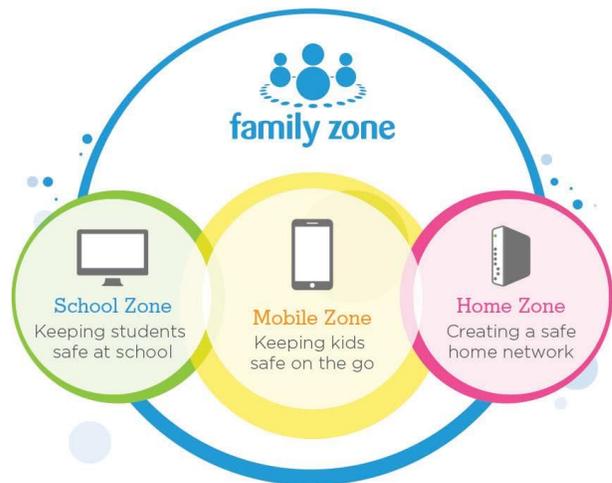


Since completion of the acquisition the Company has pivoted its sales efforts to focus on leveraging its installed base of schools.

New product branding has also been developed which explains our offerings to schools in the context of:

- **School Zone** being the on-campus services;
- **Home Zone** being our home networking solutions; and
- **Mobile Zone** being our on-device technologies.

Our work with schools in the weeks since completion of the acquisition has reaffirmed the reasons for the transaction. Of particular resonance with schools is our Mobile Zone solution and the ability for schools to extend their 'duty-of-care' to all devices that come to school, whether they are connected to school or cellular mobile networks.



Asian carriers engaged

Late in the December quarter, PLDT, a major Philippines telco, soft launched its co-branded Family Zone service. This service has been branded "Fam Zone" as part of PLDT's "The Future of Filipino Home".

PLDT (PSE:TEL) is the leading telecommunications, digital and multimedia service provider in the Philippines with approximately 70 million subscribers. Through its

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principal business groups - fixed line, wireless and others - PLDT offers a wide range of digital and telecommunications services across the Philippines.

Marketing of Fam Zone and PLDT's smart home services is planned to start in February 2017. An example of PLDT's TV advertising is available at this [link](#).

Following on from securing PLDT the Company and our sales agents, Singaporean based Fidelio Partners, have been engaged with a number of Asian carriers to discuss application of the Family Zone platform within their networks and for their subscribers.



Pleasingly, major telecom carriers across Asia have welcomed the opportunity to engage with the Company and discussions are underway with a number of major telecom carriers.

Interestingly, these discussions have identified new and priority use-cases for our platform beyond our expectation of cyber safety being sold as a "value added service" bundled with carrier services. In Asia, relevant carrier priorities include, expanding services to enterprises (see discussion on Work Zone below) and driving mobile data usage. The Company has swiftly developed engagement models that support these objectives.

Work Zone for SMEs is gaining traction

Work Zone is a cyber security and workforce optimization offering which addresses the security, productivity and cultural challenges faced by enterprises in managing the digital access of their employees. It has been developed in response to demand from telecommunication providers and small and medium sized enterprises (SMEs) seeking an affordable cyber security platform for their businesses.

Work Zone will be primarily distributed through telecommunications partners and generate revenues from hardware sales and recurring licence fees. Reselling through carriers provides the Company with scale, leverages carriers existing SMEs sales teams and minimises operational impacts on the Company.

Since the announcement of the launch of Work Zone the Company received an order for 9,500 access points from PLDT. Family Zone and PLDT plan to launch Work Zone in the Philippines in the second quarter of 2017.

In addition, the Company is pleased to announce a recent deployment of our first enterprise client in a telecoms and media solution provider to community villages in Australia. This partner has deployed Family Zone technology to manage community hotspots finding the Work Zone services affordable and ideal for governing the



appropriateness of accessed content and remote management of access point infrastructure.

USA established and positioned for growth

The acquisition of Sonar/MyNet , with existing clients in West Virginia USA accelerated the Company's planned entry into the US market and provides an initial distribution focus for Family Zone's consumer products.

Certification of the Family Zone box and services for US market were completed during the quarter and are currently available for sale direct to US customers. Given the scale of the US market, the Company is focussed on developing a partnership strategy and is in discussions and trials with a number of telco's, ISPs and system integrators in the USA.

During the quarter the Company appointed an experienced Telco sales executive, Joanne Luger, as Vice President, Americas to drive North American sales and marketing initiatives designed around successes achieved in Australia. Joanne will be supported by Family Zone co-founder, Paul Robinson who is also transferring to the US. Paul is a specialist in application development and pre-sales and IT operations and will assist in driving Family Zone's partnering strategy in the US.

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 unique and innovative cloud-based solutions 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 further information please contact

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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 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	185	190
1.2 Payments for		
(a) research and development	(116)	(240)
(b) product manufacturing and operating costs	(549)	(759)
(c) advertising and marketing	(81)	(302)
(d) leased assets	-	-
(e) staff costs	(661)	(1,047)
(f) administration and corporate costs	(318)	(683)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	6
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	(1,534)	(2,835)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(18)	(34)
(b) businesses (see item 10)	-	-
(c) investments	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	(1,109)	(1,109)
	(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	(1,127)	(1,151)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	6,038
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	-	(44)
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	-	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	4,810	720
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,534)	(2,835)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,127)	(1,151)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	5,416

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,149	2,149

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	2,149	4,810
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)	2,149	4,810

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

(79)

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

(29)

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.		

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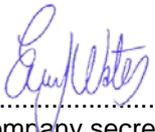
9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	801
9.3 Advertising and marketing	241
9.4 Leased assets	-
9.5 Staff costs	1,185
9.6 Administration and corporate costs	293
9.7 Other (provide details if material)	108
9.8 Total estimated cash outflows	2,628

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	-	-

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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: .31/01/2017.....
(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.

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