



ASX Announcement

PERTH - 20 JULY 2017

QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C

Family Zone is please to update the market on achievements in the past quarter:

- 20% increase in total school installations (increasing to over 300)
- 75% increase in school installations in the USA (increasing to 133)
- Signed up 20 partner schools mandating Family Zone
- 31% increase in cyber expert partnerships, including 5 in the USA
- 61% increase in registered Family Zone accounts (reaching approx 11,000)
- 82% increase in customer revenue (increasing to \$436,000 for the quarter)
- 12% increase in total revenue (increasing to \$1.07m for the quarter)

Important strategic developments by the Company in recent months include:

- Signed high profile charity and major supplier of cyber safety services to schools, Alannah & Madeline Foundation as a cyber expert partner
- Signed two major Australian IT vendors in education (Learning with Technology and EduNet) to distribute Family Zone technology commencing in Q4 2017
- Completed beta trials with USA based IgniteNet to run Family Zone filtering in their suite of consumer and business access point products
- Launched a reseller arrangement with Utah based internet service provider Innovative Air
- Successfully completed a trial phase with Telkomsel Indonesia
- Signed a reseller deal with regional Australian Telco Southern Phone

The Company has also enjoyed favourable coverage in the media and from investment research providers in recent months, including a comprehensive report from [The Sophisticated Investor](#).

The Company has received \$1.0 million in funds pursuant to the Smyth Placement Agreement entered into in November 2016 for the issue of 3,333,334 shares at an issue price of \$0.30 per Share (**Placement**) as part of the Sonar/MyNet IP acquisition. Placement funds of \$622,000 were received in the June 2017 quarter with the balance of \$378,000 received in the first week of July 2017.

As at 30 June 2017, the Company's cash balance was approximately \$1.48 million. Including the Placement funds received in July 2017, the pro-forma cash balance is \$1.87 million.



INTRODUCTION

Family Zone Cyber Safety Ltd (ASX: FZO, **Family Zone** or the **Company**) is pleased to present its Appendix 4C — Quarterly Cash Flow Report for the three months ending 30 June 2017 with an update and overview of its business progress.

The Company continues to make progress across its three defined market segments.

- In consumer, Family Zone's brand and market traction continues to build in Australia and in the USA ground work continues;
- In education, Family Zone's School Zone technology and ecosystem model is gaining rapid traction in both Australia and USA; and
- In telco, Family Zone has reached agreement with a number of significant partners to resell Family Zone services.

OPERATIONAL HIGHLIGHTS

Family Zone's brand reputation and direct sign ups continue to build with over 4,300 direct accounts signed up in the quarter.

In education the Company broke through 300 school installations with 133 installs now in the USA (up approx 60% since last quarter).

The Company's success in education follows the acquisition of cyber security platform Sonar in December 2016 and its integration into the Family Zone ecosystem in early 2017.

The integrated platform is known as School Zone, designed to solve two of the biggest technology problems facing schools today:

1. Managing the extension of a school's duty of care to students' mobile devices; and
2. Engaging parents and students in cyber safety.

To support schools' uptake of this technology, in April 2017 the Company launched a disruptive commercial model whereby schools gain subsidised access to School Zone when they mandate Family Zone to the parent community.

This model, known as the "School Community", has received a very strong response from the market. Since its introduction, 20 Australian schools have agreed to mandate Family Zone to their community for the 2018 intake year, with promotion starting in 2017.

These 20 schools represent close to 15,000 Australian families. Revenue from Family Zone's partner offer will range between AU\$60 and AU\$90 per annum upfront per family. The Company also intends to market Family Zone's add-on services, including subscriptions for



cyber experts, extended family support and the Family Zone Box (safe WiFi access point) to these families.

The Company is busy promoting, selling and rolling out School Community in Australia and intends to introduce this concept into its USA schools in coming months.

Partnership with Southern Phone

In June 2017, Family Zone announced a partnership with Southern Phone, one of the largest providers of mobile, fixed line and Internet connectivity to businesses and consumers throughout regional Australia. Key terms of the partnership include:



- Southern Phone will offer Family Zone's home and mobile offerings to new and existing customers;
- Southern Phone will bill for Family Zone's services and intends to bundle these services into its telco service plans; and
- Southern Phone incurs wholesale charges for Family Zone services.

The companies intend to launch their first market offering in early Q4 2017.

This partnership complements Family Zone's previously-announced partnerships with Telco carriers PLDT in the Philippines, Telkomsel in Indonesia and Ovo Mobile in Australia.

Partnerships with IT vendors EduNet and Learning with Technologies



In the June quarter, Family Zone announced a partnership with leading educational IT vendor EduNet and in early July a similar arrangement with Learning with Technologies.



Through these partnerships, Family Zone software will be promoted and distributed to schools and parents under the schools' 'bring your own device' (BYOD) programmes. The Family Zone software will be either selected by the parent or mandated by the school to be preinstalled on devices sold to parents by these IT vendors

These partnerships represents a significant opportunity for Family Zone to boost penetration into the education sector, with these two IT vendors selling 70,000 devices into the education sector each year.



Beta Trials with IgniteNet

During the quarter, Family Zone moved into a Beta release program with IgniteNet, a leading global provider of cloud-managed access points. This followed the successful completion of an Alpha release and testing process which included integration of the IgniteNet and Family Zone cloud platforms and porting of the Family Zone embedded filter client to run on multiple IgniteNet wireless access point models.



The objective of the partnership is enable IgniteNet customers (ISPs) to resell Family Zone as a bundled offer within their internet packages.

The Company is pleased to report that the Beta trials are now complete and a commercial release is now imminent, offering Family Zone to all IgniteNet access point customers, constituting some 2,000 ISPs and resellers across the US.

Partnership with the Alannah & Madeline Foundation

In April, Family Zone announced a partnership with Australian charity, The Alannah & Madeline Foundation.



The partnership will provide parents and schools with the opportunity to subscribe to the Foundation's cyber safety settings within Family Zone, leveraging Alannah & Madeline's expertise in cyber safety training and advice to the community.

The Foundation will offer age-appropriate custom cyber safety packages to parents and schools through the Family Zone platform and will promote these packages through its network.

The Alannah & Madeline Foundation is Australia's leader in cyber safety education, offering services to 2,200 schools and more than 60 per cent of public libraries across Australia.

Family Zone partners with Telkomsel

Following Telkomsel's agreement in February 2017 to trial Family Zone and extensive work in the June quarter, Family Zone recently executed an agreement to move to a commercial launch.



Part owned by SingTel, Telkomsel is one of the largest mobile providers in the world and is the largest carrier in Indonesia (and Southeast Asia) with 165 million subscribers.



To support the launch, Family Zone has also appointed its first Indonesian Cyber Expert (Bijak Online) and channel development is already underway.

Exhibition at EduTECH

Family Zone participated in EduTECH, the largest annual educational technology exhibition in Asia-Pacific and the Southern Hemisphere, held in Sydney in June 2017.

The Company was pleased with the reception given to its educational offerings, and looks forward to updating investors on further progress with education clients flowing from its business development activities.



CORPORATE HIGHLIGHTS

Update on Sonar/MyNet acquisition

Family Zone announced variations regarding the final acquisition payments for the Sonar/MyNet IP and the servicing arrangements for Sonar/MyNet customers during the quarter. This followed the earlier announcement in November 2016 that Family Zone would acquire the IP rights to the cyber security and education platform Sonar/MyNet from Tesseract for \$3.8 million in cash and shares.

The Company was originally required to pay \$2.0 million in final cash instalments during the June 2017 quarter. Family Zone however renegotiated the transaction on terms favourable to the Company. Under the revised terms, Family Zone paid \$1.75 million of the final instalment during the June 2017 quarter comprising \$1.5 million in cash and \$0.25 million in Shares (based on 1,000,000 Shares at \$0.25), with a further \$0.40 million payable in six equal monthly instalments commencing in July 2017.

The parties have also agreed to modify the licensing and support arrangements with a view to providing a more responsive service for users of Family Zone technology. This revision sees Family Zone assuming technical and commercial responsibility for all remaining Tesseract Sonar customers.

The new arrangements improve cashflow and allow Family Zone to better serve the increasingly important education market segment.



The Sophisticated Investor research report

During the quarter, stock advisory firm The Sophisticated Investor (**TSI**) initiated research coverage of Family Zone.

TSI's research report includes a series of short videos on the Company, its operations, products, technology and the parental control market. The report and videos are available for viewing at <https://www.familyzone.com/au/investor>.

Share Placement and Capital Management

The Company has received \$1.0 million in funds pursuant to the Smyth Placement Agreement entered into in November 2016 for the issue of 3,333,334 shares at an issue price of \$0.30 per Share (**Placement**) as part of the Sonar/MyNet IP acquisition. Placement funds of \$622,000 were received in the June 2017 quarter with the balance of \$378,000 received in the first week of July 2017.

The Placement Shares are to be issued on 20 July 2017.

As at 30 June 2017, the Company's cash balance was approximately \$1.48 million. Including the Placement funds received in July 2017, the pro-forma cash balance is \$1.87 million.

The Company's operational cash flow for the quarter showed a strong increase in customer receipts, with \$887,000 received during the quarter. The Company also received R&D grant funding of \$688,000 during the quarter under the R&D Tax Incentive Scheme.

The Company is excited to be promoting and launching its products through its new partnership channels throughout Q3 and Q4 2017. Family Zone remains focused on continuing to increase customer revenues through its consumer, education and telco distribution channels, which have shown strong growth over the quarter.

Family Zone is a technology innovator and has continued its active programme to invest in and develop intellectual property which has previously been successful in claiming tax refunds under the R&D Tax Incentive scheme. As the Company moves into global commercialisation phases and expenditure in overseas business development and sales rises, the Company also expects claimable export expenditure to grow significantly.



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")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	887	1,344
1.2 Payments for		
(a) research and development	-	(287)
(b) product manufacturing and operating costs	(155)	(1,408)
(c) advertising and marketing	(256)	(929)
(d) leased assets	-	-
(e) staff costs	(1,146)	(3,107)
(f) administration and corporate costs	(567)	(1,598)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	9
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	688	688
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(548)	(5,290)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(32)	(69)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	(1,366)	(3,025)
(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	(1,398)	(3,102)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	1,202	9,667
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	-	(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	1,307	9,028

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	2,222	842
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(548)	(5,290)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,398)	(3,102)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,202	9,028

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,478	1,478

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	1,478	2,222
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)	1,478	2,222

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	(17)
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	227
9.3 Advertising and marketing	338
9.4 Leased assets	-
9.5 Staff costs	1,134
9.6 Administration and corporate costs	316
9.7 Other (provide details if material)	75
9.8 Total estimated cash outflows	2,092

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	-	-

