

ASX Announcement

Family Zone Cyber Safety Ltd (ASX: FZO)

Perth, April 30th 2020



Supporting & protecting every child's digital journey

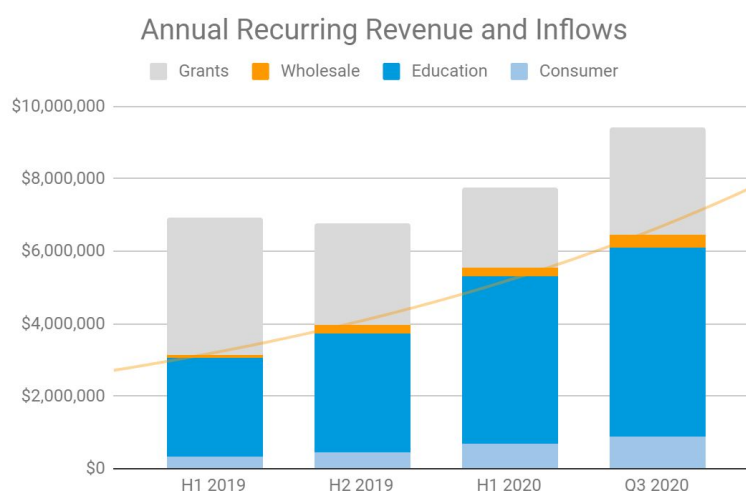
MAR QTR 2020- APPENDIX 4C COMMENTARY & OPERATIONAL UPDATE

Family Zone, supporting and protecting every child's digital journey, is pleased to provide its quarterly Appendix 4C cash flow report and commentary for the March quarter 2020.

KEY METRICS MAR QTR 2020

Family Zone derives recurring subscription revenue through the sale of parental control service subscriptions to parents, through direct and wholesale channels and cyber safety services to schools through student licenses.

Channel	Accounts/ Students	YoY growth
DIRECT Accounts	15K	78%
SCHOOL Clients	1,333	84%
STUDENT Licenses	696K	70%
W'SALE Accounts	114K	280%



Highlights

- Achieved annual recurring revenues of above \$6.4 million
- Achieved a record \$1.98 million in customer collections
- Added 620 schools and 308,000 students to our platform in the quarter inclusive of Proof of Concept (304 schools) and Classwise/Remote Learning trials¹ (151 schools)
- Ended the quarter with 1,860 schools live with 1,333 contracted (83% YoY growth)
- Ended the quarter with 958,000 students with 696,000 licensed (70% YoY growth)
- Grew premium parental accounts to 210,000 (120% YoY growth)
- Achieved new records in the value of contracts signed in the quarter; \$1.85 million total value with an annual value of \$930,000
- Achieved significant growth in freemium Insights subscribers, ending the quarter at 43,000 subscribers following a soft launch in late 2019

Subsequently the Company has announced a private placement of \$10 million. With growing recurring revenues the Company is well funded and positioned to invest in acceleration.

COMMENTARY

Rapid Growth in EDU

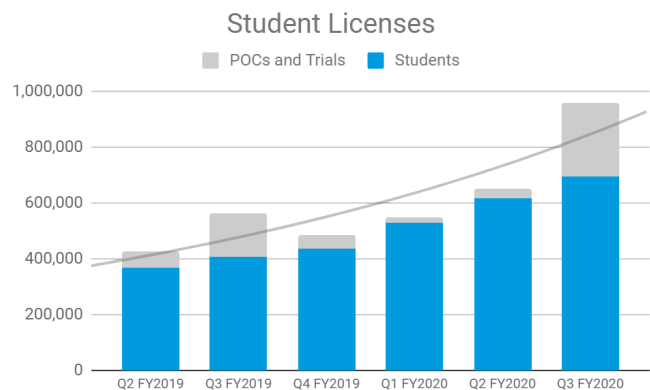
The March quarter marked significant growth in Family Zone's education business with 620 schools and 308,000 students added to the platform in the quarter.

At the end of the quarter the Company had 1,860 schools live with 1,333 contracted (83% YoY growth); and 958,000 students with 696,000 licensed (70% YoY growth).

These numbers include 376 schools in POCs, accounting for 190,000 students and close to AU\$1 million of recurring revenue. Our POC conversion rate exceeds 80%.

The Company achieved new records in the total & annual value of contracts signed in the quarter.

With a large pipeline, plus 376 schools in POCs, and with increased activity due to COVID-19 and our US business coming into its seasonally strongest quarter the Company expects even stronger results in the upcoming June quarter.



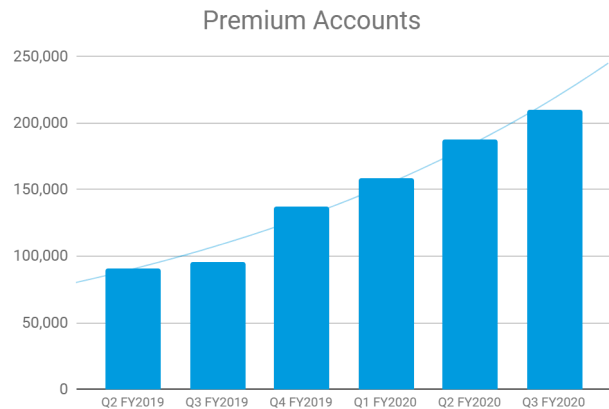
¹ In March 2020 the Company launched a limited free offer for term 2 (until the end of Jun 2020) to schools to support their transition to remote learning in the wake of impending COVID-19 shutdowns.

Strong Premium Account Growth

The Company's Premium parental control accounts continued to grow strongly in the quarter reaching 210,000 at 31 March representing 120% growth YoY.

The main contributor in the quarter was our wholesale channel which added 24,000 accounts.

This was achieved despite our focus shifting to the launch of Insights at the beginning of the quarter.

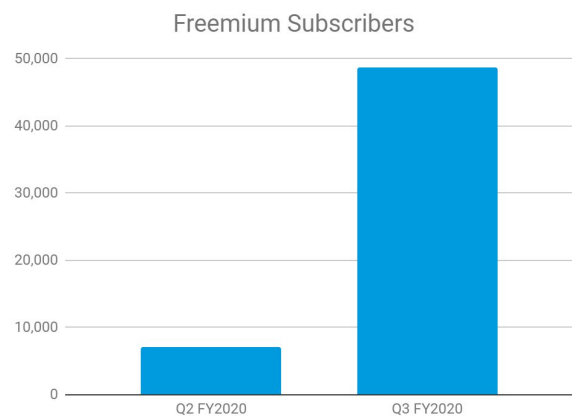


Wholesale sales

The Company continued to work with Telkomsel in the quarter to promote Family Zone's freemium service, Insights. Progress was pleasing, with strong engagement, high activation rates (exceeding 60%) and reasonable organic growth achieved.

Notwithstanding, the Company initiated a strategic review of its Asian telco channel in the quarter, having regard to the:

- The economic impact of COVID-19 on these jurisdictions;
- The costs to service this channel;
- Existing wholesale revenue; and
- Other opportunities to deploy capital.



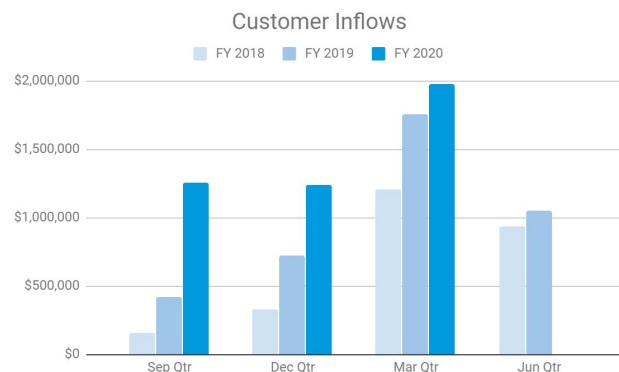
As a result of this review the Company has decided to suspend wholesale sales for 2020 and reconsider the wholesale channel in CY 2021.

With the enormous opportunities being presented in Education, in the USA in particular, the Company feels the Education and School Communities segments are a more productive and appropriate focus for short term investment.

Underlying growth in recurring customer inflows

The Company is pleased to report continuing growth in customer collections with \$1.98 million collected in the quarter. This growth reflects a solid contribution from AU and NZ sales in the quarter and the re-focussing of the Company to US Education.

The Company's cash balance at 31 March 2020 was \$1.9 million. This has been buoyed by the Company's completion of a private placement of \$10 million as announced on 29 April 2020.



With the proceeds of the Placement, and growing recurring revenues the Company is well funded and positioned to invest in acceleration. Capital will be used to accelerate growth in US education in particular.

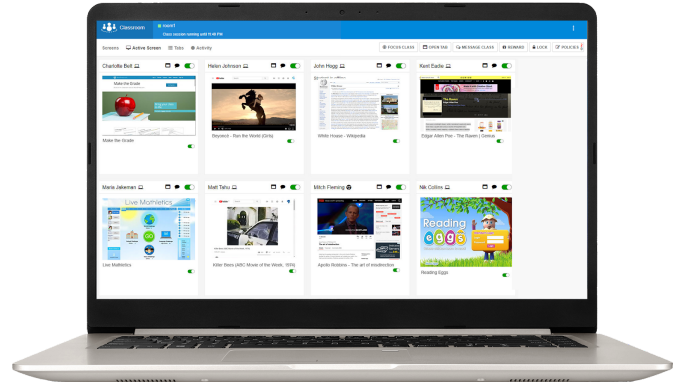
Launch of Classwise

In February 2020, Family Zone announced the launch of Classwise, a fundamental upgrade of our teacher tool, previously known as Class Manager.

Classwise empowers teachers for modern classrooms with complete visibility and control and provides full support across Chromebooks, Windows and Apple Macbooks.

Classwise operates with or independently from our network filter (School Manager), offering administrators complete flexibility in how and where to deploy filtering.

Importantly Classwise can be purchased by schools as a standalone product, offering Family Zone opportunities with existing and new customers.



Classwise has been developed primarily for the US market, although it does support all of our markets. The US focus is driven through market factors where US school districts are increasingly seeking tools to empower teachers in physical and remote classes and are willing to implement these on top of existing network filters.

The Company estimates Classwise opens up around 6,000 school districts (21 million students) for our sales teams to prospect.

COVID-19 Impacts

In March the Company announced limited free support for schools dealing with a rush to virtualise learning in the wake of the COVID-19 pandemic. By the end of March 2020 more than 150 schools across Australia, New Zealand and the US had taken up this offer.

Through this offer the Company has driven new leads, demonstrated our unique capability to major educational institutions and built the Family Zone brand.

COVID-19, school shutdowns and remote learning validate Family Zone's core business model and will in the Company's view, bolster underlying pre-existing trends in:

- The virtualisation of classrooms; enabling teachers to control and manage classes online; and
- Schools supporting parents to deal with technology use at home.

The Family Zone platform has a suite of technologies which can be installed on student devices and in school networks. It offers one of the world's most comprehensive suites of filtering and cyber safety services and allows schools to teach and keep students safe on any device anywhere.

Uniquely Family Zone allows schools to share their tools with parents to monitor and control the use of technology after school.

Related Party Payments

In accordance with ASX listing Rule 4.7C.3, payments to related parties and their associates outlined in the Company's Appendix 4C for the quarter relate to the portion of Director salaries received in cash, superannuation payments to Directors and professional fees paid to Grange Consulting for financial management and company secretarial services.



About Family Zone

Family Zone, ***supporting and protecting every child's digital journey***, is an ASX-listed technology company and an emerging leader in the fast growing global cyber safety industry. Family Zone's unique innovation is its patented cyber safety ecosystem, a platform enabling a world-first collaboration between schools, parents and cyber safety educators. Family Zone's unique approach is delivering rapid growth in the education sector, as well as through direct sales and scalable reseller arrangements with telco providers.

To learn more about the Family Zone platform and the Company please visit www.familyzone.com.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Family Zone Cyber Safety Limited

ABN

33 167 509 177

Quarter ended ("current quarter")

31 March 2020

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	1,976	4,470
1.2 Payments for		
(a) research and development	(1,389)	(3,845)
(b) product manufacturing and operating costs	(202)	(1,194)
(c) advertising and marketing	(228)	(728)
(d) leased assets	-	-
(e) staff costs	(1,362)	(3,385)
(f) administration and corporate costs	(1,209)	(3,598)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	-	(18)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,944
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,413)	(6,350)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(347)	(583)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	(347)	(583)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	4,586
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(100)
3.5	Proceeds from borrowings	-	712
3.6	Repayment of borrowings	-	(1,523)
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	-	3,676

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,646	5,108
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,413)	(6,350)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(347)	(583)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	3,676
4.5	Effect of movement in exchange rates on cash held	(21)	12
4.6	Cash and cash equivalents at end of period	1,863	1,863

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	1,863	4,646
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)	1,863	4,646

**6. Payments to related parties of the entity and their
associates**

6.1 Aggregate amount of payments to related parties and their
associates included in item 1

6.2 Aggregate amount of payments to related parties and their
associates included in item 2

Current quarter \$A'000
123
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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of,
and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,413)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,863
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,863
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.77

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes, as announced on 29 April 2020 the Company has received binding commitments to raise \$10 million through a Share Placement.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, with the proceeds from the Share Placement and growing recurring revenues the Company is well funded to continue its operations and meet its business objectives, in particular to accelerate growth in the US education sector.

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.

Date: 30 April 2020

Authorised by: By the Board of Family Zone Cyber Safety Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.