



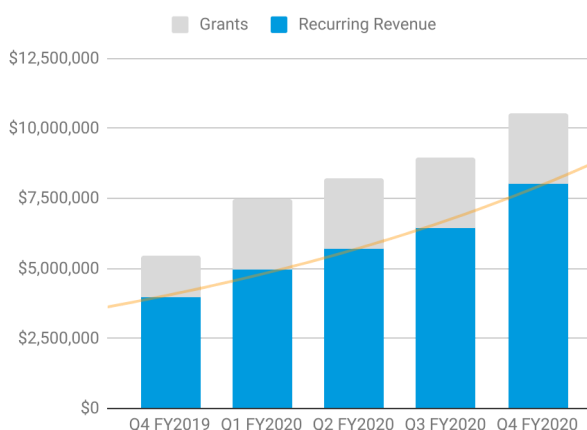
JUN QTR 2020 - APPENDIX 4C COMMENTARY & OPERATIONAL UPDATE

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

KEY METRICS JUN QTR 2020

Measure		YoY
RECURRING Revenue¹	\$8.1m	103%
STUDENT Licenses	910K	108%
SCHOOL Clients	1,815	116%
PREMIUM Accounts	16K	69%

Annual Recurring Revenue & Inflows



¹ Estimated annual recurring revenue

Highlights

- Added 598 schools and 358,000 students to the Family Zone platform²
- Signed contracts with an annual value (ACV) of \$2.03 million (500% growth YoY)
- Signed contracts with a total value (TCV) of \$3.63 million (200% growth YoY)
- Ended the quarter with 2,456 schools on the platform (165% YoY growth)
- Ended the quarter with 1,815 contracted schools (116% YoY growth)
- Ended the quarter with 1.3 million students on the platform (173% growth)
- Ended the quarter with 910,000 licensed students (108% YoY growth)
- Appointed former VP of Google, Mr Matthew Stepka to the board of directors
- Completed a successful capital raising of \$10 million

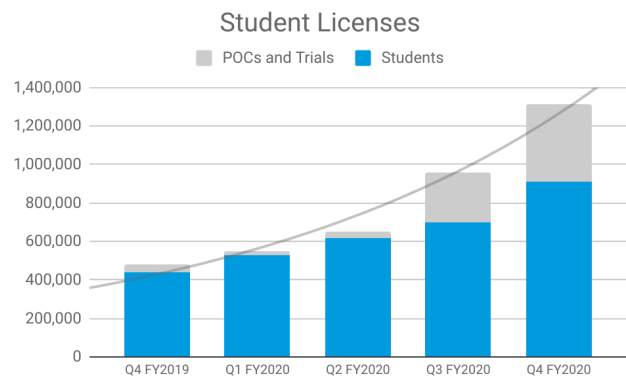
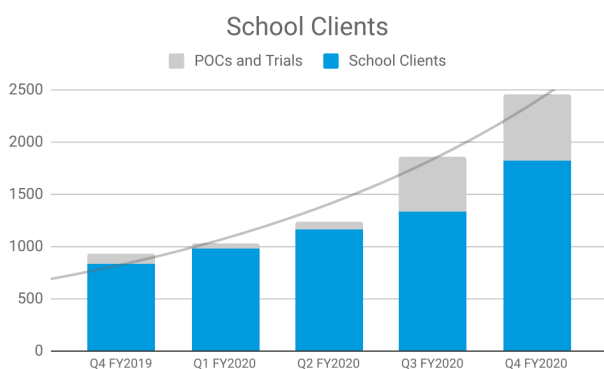
Subsequently the Company has announced continued rapid growth in sales with the Company recently passing through 1 million contracted student licenses.

With the completion of a substantial capital raising and strong sales growth, the Company is now fully funded for its current growth plans in USA, Australia and New Zealand.

COMMENTARY

Record growth in Education sales

USA education is now the biggest contributor to the Company's top line growth and typically the June quarter is the biggest sales quarter in the USA education sales cycle. The Company achieved strong results in the quarter, adding 598 schools and 358K students onto the Family Zone platform. Of these, 482 schools and 214K students were added under contract, representing the Company's biggest-ever sales quarter.



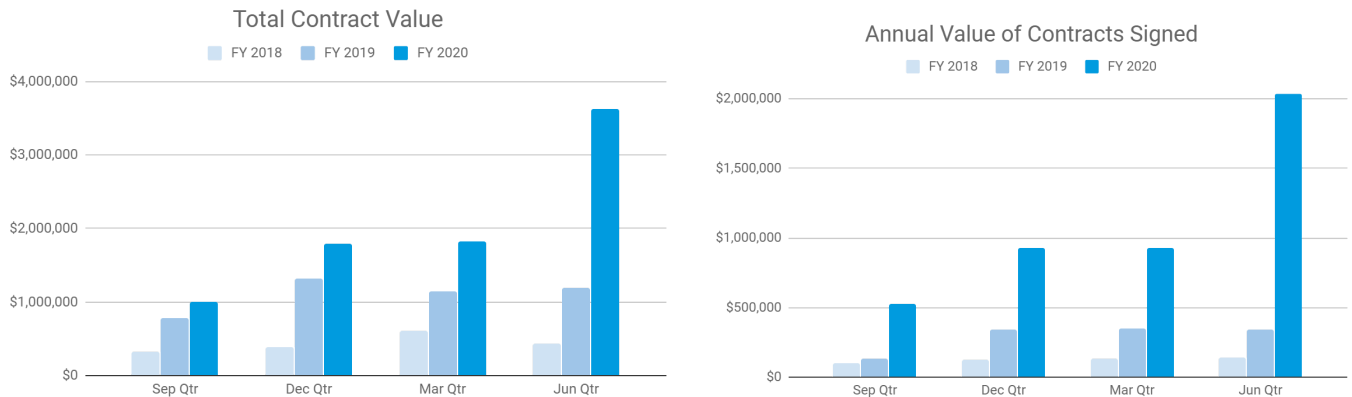
² Inclusive of proof of concept trials



At the conclusion of the quarter, the Company had 2,456 schools live of which 1,815 are contracted, with a record 641 schools trialling Family Zone's services.

Substantial growth in contracted revenue

With record growth in schools and student licenses, the Company achieved record results in the total value and annual value of contracts signed in the quarter.



The Company ended the quarter with a record sales pipeline including 641 schools in trials. The Company expects continued strong growth in the upcoming September 2020 quarter.

Consumer growth continues

As announced in the Company's March Quarter 4C operations report the Company has now suspended its wholesale telco channel. This decision was made considering the immediate growth opportunities in education.

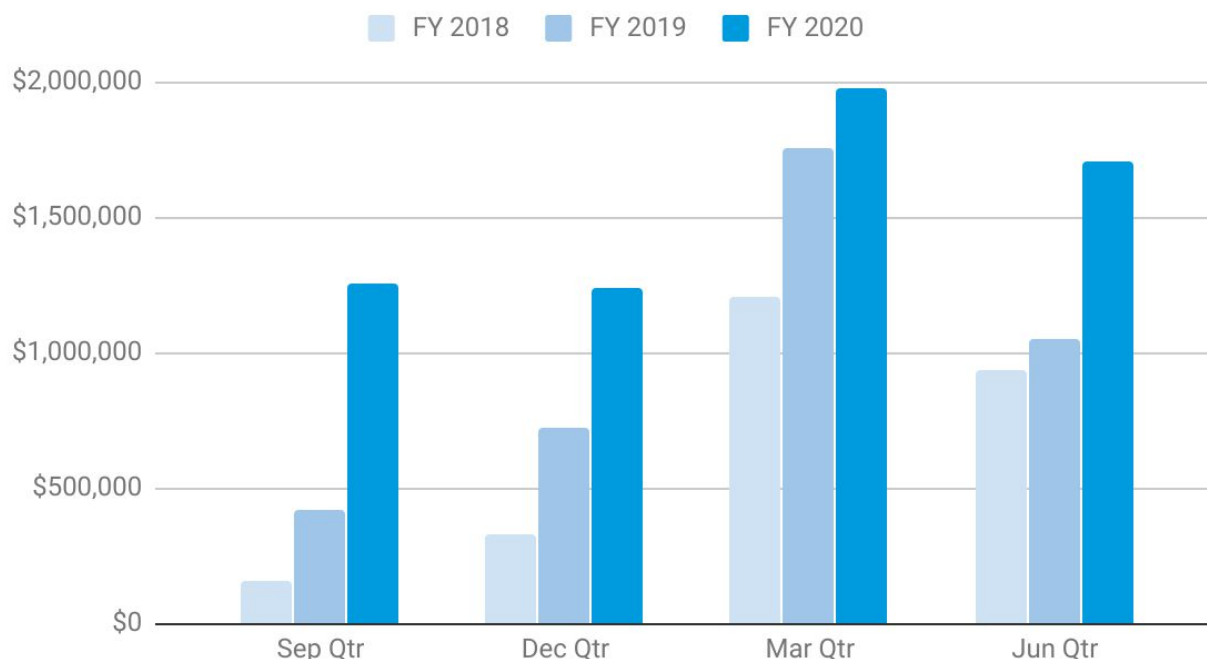
Notwithstanding, the Company's direct premium consumer accounts have continued to grow, recently passing through 16,000 accounts. Freemium Insights accounts have also recently passed through 70,000.

The Company plans to launch consumer offerings into the USA later this calendar year.

Rapidly improving revenue and cash receipts

The Company is pleased to report rapid growth in customer collections with \$1.7 million collected in the quarter up from \$1.0 million in the June quarter 2019. This growth reflects the strong YoY sales growth achieved in the March quarter 2020.

Customer Inflows



During the quarter the Company completed a capital raising (see below) and has applied funds to accelerating growth, with key expenditure items being investment in R&D associated with upgrading features and expanding the capacity of the Family Zone Platform and staff salaries and wages. This has seen strong early results and the Company expects that to continue over coming quarters.

The Company's cash balance at 30 June 2020 was \$5.8 million. The Company received additional cash funds of \$3.8 million on 7 July 2020 following the completion of the second tranche of its Placement. With these funds and growing recurring revenues the Company is well funded and positioned to invest in growth.

Appointment of Mr Matthew Stepka to the Board of directors

During the quarter the Company was pleased to announce the appointment of globally renowned San Franciscan, Matthew Stepka as a Non Executive Director. Mr Stepka is Managing Partner of Machina Ventures, an investment firm focused on early stage, artificial intelligence and data science enabled companies. He is also a Lecturer at UC Berkeley, Haas School of Business.

Until recently, Matthew was Vice President, Business Operations and Strategy at Google, where he led and incubated strategic initiatives, especially mission-driven projects with high social impact. Joining Google in 2007, Matthew led efforts ranging from expanding internet access, developing clean energy, strengthening freedom of expression and democracy, innovating in robotics, establishing novel pricing strategies and extending Google's footprint in emerging markets, especially Africa.

Matthew holds a Juris Doctorate from UCLA School of Law. He has Bachelor of Science degrees in Computer Engineering and Management from Case Western Reserve University. He served on the Board of World Affairs Council and is an inaugural Disruptor Foundation Fellow. Matthew is a member of the California State Bar.



\$10 million raised to capitalise on growth opportunities

During the quarter the Company completed a capital raising for \$10 million (before costs) through a Placement of 84,333,335 new shares to a range of institutional and private investors based in Australia and the US.

The Placement price was set at \$0.12 representing a 7.7% discount to the closing price on 23 April 2020 of \$0.13 and a 16.6% discount to the 15 day VWAP of \$0.14 prior to the Placement.

The Placement was completed in two tranches, with the second tranche being subject to shareholder approval which was granted on 30 June 2020. The Company was gratified by the investment of the Chairman, Mr Peter Pawlowitsch of \$500,000 in the Placement, following shareholder approval.

Bell Potter Securities Limited acted as Lead Manager to the Placement.

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 of \$155,000 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.

Authorised by the Board of Family Zone Cyber Safety Limited

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")

30 June 2020

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	1,740	6,210
1.2 Payments for		
(a) research and development	(1,911)	(5,756)
(b) product manufacturing and operating costs	(366)	(1,559)
(c) advertising and marketing	(137)	(865)
(d) leased assets	-	-
(e) staff costs	(1,095)	(4,480)
(f) administration and corporate costs	(883)	(4,481)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	4
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	(2,652)	(9,002)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(338)	(921)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(338)	(921)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,383	10,969
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	(213)	(313)
3.5	Proceeds from borrowings	819	1,531
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	6,989	10,664

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,863	5,108
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,652)	(9,002)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(338)	(921)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,989	10,664
4.5	Effect of movement in exchange rates on cash held	(57)	(44)
4.6	Cash and cash equivalents at end of period	5,805*	5,805

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	5,805	1,863
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)	5,805*	1,863

**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
155
-

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

* This does not include the \$3.8 million from tranche 2 of the Company's recent capital raising, which was received subsequent to the end of the quarter.

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)	(2,652)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,805
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	5,805
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.19

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: N/A

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: N/A

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: N/A

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: 29 July 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.