ASX Announcement

Thursday, 31 August 2017

APPENDIX 3B –SECURITY ISSUES

The Board of Family Zone Cyber Safety Limited (ASX: FZO) (**Company**) has issued 2,433,272 Employee Options as an incentive and consideration for services to the Company. These Employee Options have been issued, on the same terms and vesting conditions as existing Employee Options, to staff who have joined the Company over the last 6 months to ensure all employees interests are aligned to achieving the Company's operational and financial targets.

The Company also advises that

- 250,000 Employee Options ($0.33, 19 Sept 2019) have lapsed and been cancelled; and
- 284,375 Shares have been issued following the exercise of Options ($0.25, 29 Aug 2019).

An Appendix 3B outlining the above security issues is attached.

NOTICE UNDER SECTION 708A(5)(e) OF THE CORPORATIONS ACT 2001

This notice is given by Family Zone Cyber Safety Limited (ASX: FZO) (**Family Zone** or the **Company**) in relation to an issue of 284,375 Shares following the conversion of Options which were issued without disclosure to investors under Part 6D/2 of the Corporations Act 2001 (Cth) (**Act**).

The Company hereby notifies ASX under section 708A(5)(e) of the Act that:

a) the Shares were issued without disclosure to investors under Part 6D.2 of the Act;
b) the Company is providing this notice under paragraph (5)(e) of section 708A of the Act;
c) as at the date of this notice, the Company has complied with the provisions of Chapter 2M of the Act as they apply to the Company;
d) as at the date of this notice, the Company has complied with section 674 of the Act; and
e) as at the date of this notice, there is no information:
   i) that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
   ii) that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
      A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
      B) the rights and liabilities attaching to the shares.

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.

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Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement,
application for quotation of additional securities
and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Family Zone Cyber Safety Limited

ABN

33 167 509 177

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1	+Class of +securities issued or to be issued	Employee Options Fully paid ordinary shares (**Shares**)
2	Number of +securities issued or to be issued (if known) or maximum number which may be issued	2,433,272 Employee Options 284,375 Shares

+ See chapter 19 for defined terms.

3	Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)	**Employee Options** Exercise price - $0.33 Expiry -19 September 2019 The Options are subject to the following Vesting Conditions: i. 25% of the options will vest and become exercisable upon the Company having 20,000 paying subscribers registered by 31 December 2017; ii. 25% of the options will vest and become exercisable upon the Company having 30,000 paying subscribers registered by 31 December 2017; and iii. 50% of the options will vest and become exercisable upon the Company achieving $10,000,000 of customer revenue in any of the financial years ended 30 June 2017, 30 June 2018 or 30 June 2019 **Shares** Fully paid ordinary shares
4	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? If the additional +securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	**Employee Options** No. On exercise of the Employee Options, fully paid ordinary shares will be issued which will rank equally with the Company's fully paid ordinary shares currently on issue. **Shares** Yes
5	Issue price or consideration	**Employee Options** Nil cash consideration **Shares** Shares issued on the exercise of unlisted Option at an exercise price of $0.25 per Option.

6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	**Employee Options** Issue of options to employees as an incentive and consideration for services to be provided to the Company. **Shares** Shares issued on the exercise of unlisted Option at an exercise price of $0.25 per Option.
6a	Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h *in relation to the +securities the subject of this Appendix 3B*, and comply with section 6i	Yes
6b	The date the security holder resolution under rule 7.1A was passed	30 November 2016
6c	Number of +securities issued without security holder approval under rule 7.1	2,433,272 Employee Options
6d	Number of +securities issued with security holder approval under rule 7.1A	-
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil
6f	Number of +securities issued under an exception in rule 7.2	284,375 Shares
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A

+ See chapter 19 for defined terms.

6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Refer to Annexure 1
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.Cross reference: item 33 of Appendix 3B.	31 August 2017

		Number	+Class
8	Number and +class of all +securities quoted on ASX (*including* the +securities in section 2 if applicable)	84,955,000	Ordinary fully paid shares

		Number	+Class
9	Number and +class of all +securities not quoted on ASX (*including* the +securities in section 2 if applicable)	13,233,637	Fully paid ordinary shares escrowed until 29 August 2018
		225,000	Fully paid ordinary shares escrowed until 1 February 2018
		10,500,000	Class A Performance Shares escrowed until 29 August 2018 or 29 August 2017 (Conversion ratio into ordinary shares 1:1)
		10,499,999	Class B Performance Shares escrowed until 29 August 2018 or 29 August 2017 (Conversion ratio into ordinary shares 1:1)
		10,499,998	Class C Performance Shares escrowed until 29 August 2018 (Conversion ratio into ordinary shares 1:1)

4,000,000	Incentive options ($0.25, 20 May 2019) escrowed until 29 Aug 2018.
3,348,750	Unquoted options ($0.25, 29 August 2019) escrowed until 29 August 2018.
6,460,626	Unquoted options ($0.25, 29 August 2019)
5,757,665	Employee options ($0.33, 19 September 2019) subject to various vesting conditions
1,000,000	Employee options ($0.33, 19 September 2019) subject to various vesting conditions escrowed until 29 Aug 2018
6,000,000	Employee options ($0.30, 15 Dec 2019) subject to various vesting conditions.
1,750,000	Broker Options ($0.30, 5 May 2020)

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	

Part 2 - Pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the +securities will be offered	N/A
14	+Class of +securities to which the offer relates	N/A
15	+Record date to determine entitlements	N/A

+ See chapter 19 for defined terms.

16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	N/A

27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements *in full* through a broker?	N/A
31	How do security holders sell *part* of their entitlements through a broker and accept for the balance?	N/A
32	How do security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	+Issue date	N/A

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of +securities
(*tick one*)

(a) ☒ +Securities described in Part 1

(b) ☐ All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

+ See chapter 19 for defined terms.

Tick to indicate you are providing the information or documents

35	☐	If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
36	☐	If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories 1 - 1,000 1,001 - 5,000 5,001 - 10,000 10,001 - 100,000 100,001 and over
37	☐	A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38	Number of +securities for which +quotation is sought	N/A
39	+Class of +securities for which quotation is sought	N/A
40	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? If the additional +securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	N/A

41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another +security, clearly identify that other +security)	N/A

42 Number and +class of all +securities quoted on ASX (*including* the +securities in clause 38)

Number	+Class
N/A	

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

- There is no reason why those +securities should not be granted +quotation.

- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

  Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

+ See chapter 19 for defined terms.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: .... Date: 31 August 2017......
(Company secretary)

Print name: .Emma Wates..

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate "A", the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	61,977,706
Add the following: • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period *Note:* • *Include only ordinary securities here – other classes of equity securities cannot be added* • *Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed* • *It may be useful to set out issues of securities on different dates as separate line items*	1,833,333 Shares issued under Appendix 3B lodged with ASX 16 December 2016 (Shareholder approval obtained on 13 December 2016) 12,950,000 Shares issued under Appendix 3B lodged with ASX on 15 March 2017 (Shareholder ratification of issue obtained in 26 April 2017) 2,500,000 Shares issued under Appendix 3B lodged with ASX on 11 April 2017. (Shareholder ratification of issue obtained in 26 April 2017) 1,534,889 Shares issued under Appendix 3B lodged with ASX on 5 May 2017. (Shareholder ratification of issue obtained in 26 April 2017) 284,375 Shares issued under this Appendix 3B (Listing Rule 7.1 Exception 4: Shares issued on conversion of Options).
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
"A"	81,080,303

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of "A"	
"B"	0.15 *[Note: this value cannot be changed]*
Multiply "A" by 0.15	12,162,045
Step 3: Calculate "C", the amount of placement capacity under rule 7.1 that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period *not counting* those issued: • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 *Note:* • *This applies to equity securities, unless specifically excluded – not just ordinary securities* • *Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed* • *It may be useful to set out issues of securities on different dates as separate line items*	4,920,407 Shares issued pursuant to this Appendix 3B dated 11 August 2017 3,333,334 Shares issued pursuant to Appendix 3B lodged on 20 July 2017 1,000,000 Shares issued pursuant to Appendix 3B lodged on 6 June 2017. 2,433,272 Employee Options issued pursuant to this Appendix 3B.
"C"	11,687,013
Step 4: Subtract "C" from ["A" x "B"] to calculate remaining placement capacity under rule 7.1	
"A" x 0.15 *Note: number must be same as shown in Step 2*	12,162,045
Subtract "C" *Note: number must be same as shown in Step 3*	11,687,013
Total ["A" x 0.15] – "C"	475,032 *[Note: this is the remaining placement capacity under rule 7.1]*

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate "A", the base figure from which the placement capacity is calculated	
"A" *Note: number must be same as shown in Step 1 of Part 1*	81,080,303
Step 2: Calculate 10% of "A"	
"D"	0.10 *Note: this value cannot be changed*
Multiply "A" by 0.10	8,108,030
Step 3: Calculate "E", the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A *Notes:* • *This applies to equity securities – not just ordinary securities* • *Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed* • *Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained* • *It may be useful to set out issues of securities on different dates as separate line items*	8,079,593 Shares issued under this Appendix 3B dated 11 August 2017.
"E"	8,079,593

+ See chapter 19 for defined terms.

Step 4: Subtract "E" from ["A" x "D"] to calculate remaining placement capacity under rule 7.1A	
"A" x 0.10 *Note: number must be same as shown in Step 2*	8,108,030
Subtract "E" *Note: number must be same as shown in Step 3*	8,079,593
Total ["A" x 0.10] – "E"	28,437 *Note: this is the remaining placement capacity under rule 7.1A*