ASX Announcement

PERTH - 30 OCTOBER 2017

EDUCATION UPDATE, QUARTERLY ACTIVITIES AND APPENDIX 4C COMMENTARY

Family Zone Cyber Safety Ltd (ASX: FZO, **Family Zone** or **the Company**) is pleased to provide the following market update.

Family Zone achieves 75 partner schools and $3.5m of contracted revenue

As outlined in recent announcements, Family Zone identified in April 2017 a strategic opportunity to convert its recently acquired education business model from selling licensed software to one that leverages schools to sell Family Zone's cyber safety solutions to school communities.

This commercial idea has evolved into what is now called the ***"Family Zone School Community Solution"***. This arrangement allows schools (known as **"*Partner Schools*"**) to obtain low or no cost access to Family Zone's educational services where they underwrite a commitment to Family Zone's consumer ***"Family Packs"***.

Since the launch of this business model in April 2017, Family Zone has:

Converted **48** existing clients to the Family Zone School Community	Worked with existing school clients to convert 48 of them to the new 'School Community' Partner Schools commencing in Term 1, 2018.
Signed **27** new school partners to the Family Zone School Community	Signed 27 new schools as 'School Community' Partner Schools commencing in Term 1, 2018 and developed a pipeline of additional Partner School opportunities.
Averaged **> 350** Family Pack commitments per school	Achieved commitments from these 75 partner schools in excess of 350 Family Packs per school, commencing Term 1, 2018.
Launched **10** School Communities on Family Zone	Launched Family Zone within 10 schools across Australia. These schools are now promoting Family Zone prior to 'mandates' coming into effect in Term 1, 2018.
Achieved **> 40%** pack penetration inside 4 weeks	Of the schools that are promoting Family Zone, we have reached in excess of 40% of the school's committed Family Packs within 4 weeks of launch.

Whilst the Company is currently in the important education "tech buying period" and further growth is expected, Family Zone is pleased to advise that it has recently passed 75 Partner Schools.

Furthermore, the Company is pleased to confirm that across Family Zone's educational offerings (school committed Family Packs, School Zone and Linewize license fees), the Company has built $3.5m of contracted revenue with in excess of $2m in recurring revenue due for collection before 31 March 2018.

This is in addition to ongoing growth the Company is achieving in its direct to consumer and access partner (telco) market segments.

These are exciting results and represent a validation of Family Zone's education commercialisation strategy which included discounting services and deferring revenue in 2017 with a view to building a new, fast growing and scalable education channel.

September 2017 Quarter Update

Family Zone is pleased to present its Appendix 4C — Quarterly Cash Flow Report for the three months ending 30 September 2017 with an update on business progress.

Highlights

The Company's focus in the September quarter was on development and conversion of a school pipeline, launch of the innovative School Community business model where schools promote / mandate Family Zone to parents, and implementation of the strategically important Telkomsel contract in Indonesia.

The Company is pleased to confirm these achievements in the past quarter:

- 38% quarterly increase in registered Family Zone accounts (increasing to more than 16k accounts, representing 45k users);
- 315% quarterly growth in number of Partner Schools mandating Family Zone (increasing to 63 at end of quarter, having recently passed 75);
- Achieved 42% penetration of Family Packs within 4 weeks of schools launching the School Community model;
- Grew "billed revenue" across Consumer Direct, Education and Access Partner channels; and
- Claimed $930k (net) Research & Development tax grants (cash expected in December quarter 2017).

Important strategic developments by Family Zone in recent months include:

- Acquisition of fast growing and in-revenue edutech innovator Linewize, following a successful partnering agreement entered into in July 2017;
- Commercial partnerships agreements signed with two “Tier 1” Telcos in Asia - Maxis Communications in Malaysia and Philippines’ Smart Communications;
- Indonesia’s Telkomsel officially launched its locally branded Family Zone service “Family Protect” to its 178 million Indonesian customers;
- Launched a fully white-labelled version of Family Zone including multi-lingual support;
- Released important product updates include a native Parent App called Zone Manager, offering a significantly improved user interface and experience;
- Signed new Cyber Experts in Indonesia and the Philippines;
- Achieved several additional smaller partner deals and launches; and
- Completed a $5.2 million share placement to increase delivery capability and business development.

Financials

Family Zone’s billed and accounting revenue continues to grow, importantly across all of its three market segments. The Company notes that billing, revenue and cashflow do not mirror each other due to the effects of:

- Revenue recognition principles which require Family Zone’s annual fees to be amortised over the 12 month period of service; and
- Much of Family Zone’s education license fees being pre-paid (before this quarter) or deferred for payment in future quarters, with accounting revenue recognised as the services are provided.

The following table provides a comparison and explanations.

Jul-Sep 2017 Quarter	$000’s	Notes
Accounting Revenue	**$1,300**	A material portion of Family Zone customer revenue is billed annually in advance. This revenue is recognised over the period of service. Included in customer revenue is license fee revenue paid variously in advance or deferred through to 2018.
> R&D revenue	$930	
> Customer revenue	$370	
Billed Revenue	**$470**	Billed revenue is the gross revenue billed by Family Zone during the quarter.
Cash Collections	**$158**	With educational revenue largely paid in advance or being deferred to 2018, cash collections in the quarter were for the most part from the direct to consumer business only. No material education license fee revenue was collected in the quarter.

At the end of the September quarter, the Company had $3.8m in cash. This balance, along with the expected upcoming receipts (set out below), leaves Family Zone well positioned going into the new year:

- In excess of $2m of contracted education channel revenue due for collection by 31 March 2018 (as noted above);
- R&D tax and export incentives grants (expected to be circa $1.1m to $1.3m in total);
- Growing income from consumer and access partner (telco) segments; and
- Capital inflows from the exercise of share options (averaging circa $100k/month).

Family Zone extends reach into Asia

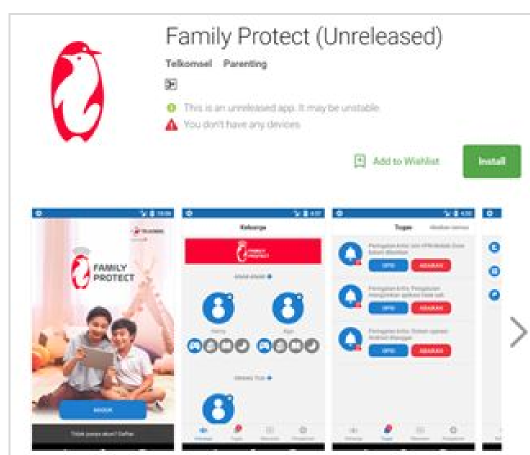
Family Zone recently announced the signing of an Application Provider Agreement with Malaysia's number 1 telco provider, Maxis Communications.

This agreement will see Family Zone's consumer solutions rebranded and sold through Maxis to consumers throughout Malaysia. The initial phase targets Maxis' approximately 2 million children's mobile services. The parties plan for a subsequent launch into Maxis' home internet user base, which will empower Malaysian parents to enforce a single unified cyber safety policy across any network and on all devices.

Family Zone has also announced conclusion of terms for the resale of Family Zone's consumer services through the Philippines' leading mobile provider, Smart Communications. This arrangement allows the companies to target value-added services to the parents of Smart's 8 million children's mobile services.

Commercial launch with Telkomsel

Part-owned by SingTel, Indonesian based Telkomsel is one of the world's largest mobile carriers. Telkomsel is also the largest mobile operator in Southeast Asia with 178 million customers and is estimated to service some 16 million children with mobile services.



Following extensive development, testing and user trials, Family Zone and Telkomsel executed a full Commercial Value-Added Services Agreement and launched a commercial service, reselling Family Zone's consumer services as "Family Protect" in Indonesia.

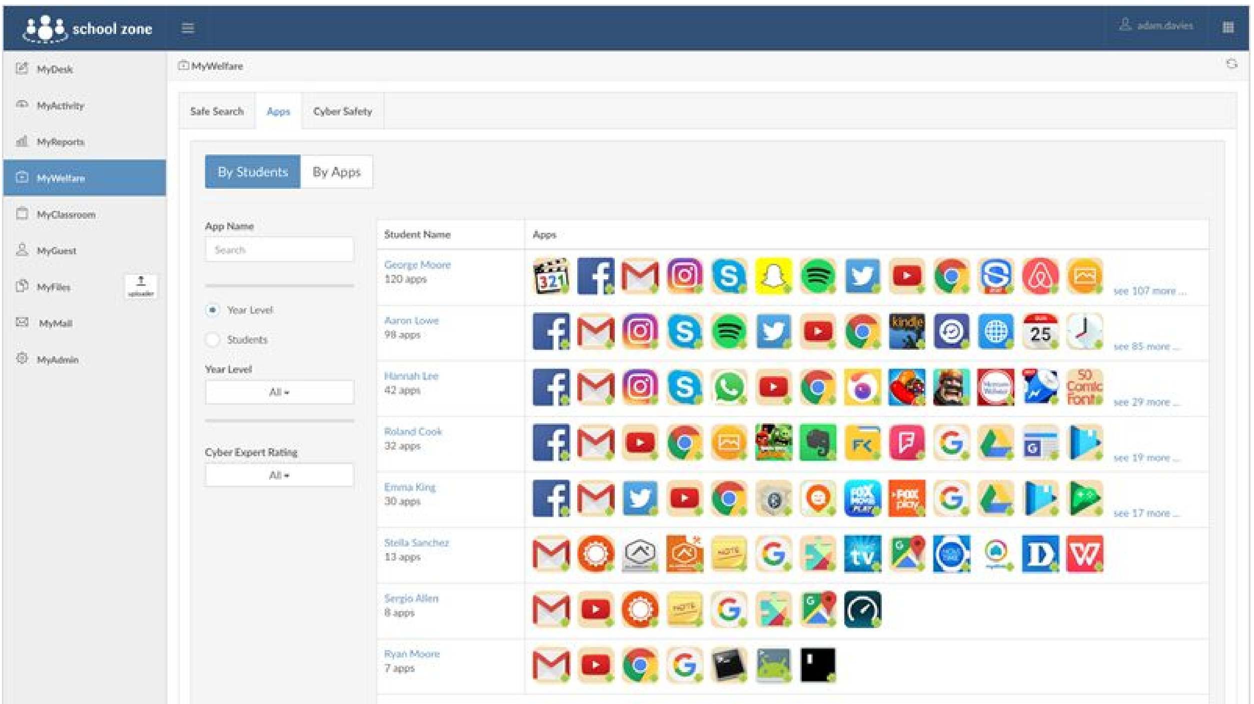
The parties are working together on additional phases to build on the initial rollout as a value added product within Telkomsel's prepaid business unit.

Continued product development

Family Zone's collaboration with Telkomsel also drove development of a major enhancement to Family Zone's customer experience, with the development of the Zone Manager App.

This App becomes the new way that parents can interact with the Family Zone platform and offers an unparalleled parental control experience. Zone Manager will be made available first to Indonesian customers through Telkomsel, with an international market roll out to follow.

Additional major enhancements include deeper integration of Family Zone's school services with Family Zone's parental controls, providing schools with (subject to parent Opt-In) the previously unavailable ability to control and monitor personal devices brought into the school.



School Zone welfare tools, showing apps installed on students' personal mobile devices.

Acquisition of fast growing NZ edutech provider Linewize

In July 2017, Family Zone entered into a collaboration agreement with Linewize Services Limited (**Linewize**), the leading provider of online content filtering systems to schools in New Zealand.

During the quarter, Family Zone's technical, sales and executive teams worked with Linewize to interface the company platforms and develop a partnering relationship to drive Family Zone sales through Linewize schools and parents which total 130,000 users, to take advantage of Family Zone's "School Community" offering. The Linewize and Family Zone teams assessed a compelling opportunity to merge their businesses leveraging Linewize's world leading technology and market positioning and Family Zone's consumer offerings and "School Community" engagement model.

Following the end of the quarter, Family Zone announced it had entered into an agreement to acquire Linewize to immediately capitalise on the opportunities that had been identified as part of its aggressive commercialisation strategy and expansion into the education sector.

The consideration for the Linewize acquisition comprises a deposit of NZ$200,000, the issue of 9.5 million ordinary shares and 9.5 million Performance Shares with aggressive growth hurdles at completion (subject to shareholder approval).

The Company identified a number of key drivers for this strategic acquisition which extend beyond the expansion into the NZ education market, with Linewize's technology providing several new features and significantly improving Family Zone's cost structure.

The Company's business plan includes:

1. Aggressive expansion inside New Zealand, leveraging Linewize's product and market positioning, and Family Zone's consumer offerings and "School Community" engagement model.
2. Rapid merging of the School Zone and Linewize platforms. The Company will then roll out the merged platform through existing school deployments.
3. Rolling out Linewize's data analytics and machine learning services across Family Zone's entire suite of service offerings for parents, schools and telco carriers.
4. Leveraging the merged platform globally. The merged platform offers Family Zone order of magnitude improvements in deployment speed and servicing costs, accelerating potential global expansion.

Further details in respect to the acquisition of the Linewize Companies including the commercial drivers, business objectives and key terms of the acquisition are further outlined in the Company's announcement dated 23 October 2017.

Tech vendor partnerships continue to grow

In the past quarter, Family Zone has signed agreements with a number of Australian based technology vendors. These agreements include the ability to promote, resell and install Family Zone services, and include the following vendors which extend Family Zone's support network.

Jim's Computer Services is a division of the Jim's Group. It provides computer and IT services throughout Australia, through a franchise network specialising in home and small business IT support.

Learning with Technologies is one of the largest education resellers in Australia, with over 4000 schools as customers as well as a wide variety of tertiary organisations, government departments and agencies.

Cheap Geek is a IT company servicing Brisbane and outer suburbs. Services include all home and small business computing needs.

International Cyber Expert Partnerships

Family Zone continues to build out its innovative Cyber Expert marketplace. In the past quarter, the Company has added new Australian Cyber Experts, as well as experts in Philippines, the US and Indonesia. Family Zone now provides customers with a choice of 28 Cyber Experts.

These cyber experts work closely with Family Zone, our carrier and education partners to drive market awareness and provide parents with support and personalised age-appropriate settings.

CORPORATE HIGHLIGHTS

Share Placement Completed

In August 2017, Family Zone completed a $5.2 million oversubscribed placement of 13,000,000 shares to sophisticated and institutional investors at $0.40 per share.

Net proceeds of the capital raising are supporting investment in Family Zone's service delivery capability, business development activities, particularly in education and global partnerships, and further strengthening the Company's balance sheet.

With BW Equities acting as Lead Manager, the Company was pleased to receive support from new and existing institutional investors based in Australia and Asia.

Substantial Holding

During the quarter, Melbourne investor Harry Hatch became a substantial holder with an 8.98% holding and Regal Funds Management Pty Ltd also became a substantial holder in the Company with a 5.66% holding.

IP and Trademarks

To ensure Family Zone is both well defended from IP encroachments and to position the Company for potential corporate arrangements, the Company initiated a significant review of its IP, patent and trademark portfolio with patent attorneys Griffith Hack during the quarter.

Through this review the Company has identified several new potentially patentable claims for which it is preparing submissions. In addition, the Company is progressively registering its trademarks including "Family Zone" and "School Zone" in strategic markets including Australia, the US, UK, Philippines, Indonesia and India.

The Company is committed to investing in the protection of its IP and ensuring it is well positioned to quickly take advantage of any potential future corporate opportunities.

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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+Rule 4.7B

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	Quarter ended ("current quarter")
33 167 509 177	30 September 2017

Consolidated statement of cash flows			Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**			
1.1	Receipts from customers		158	158
1.2	Payments for			
	(a)	research and development	-	-
	(b)	product manufacturing and operating costs	(306)	(306)
	(c)	advertising and marketing	(195)	(195)
	(d)	leased assets	-	-
	(e)	staff costs	(1,924)	(1,924)
	(f)	administration and corporate costs	(736)	(736)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		4	-
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**		**(2,999)**	**(2,999)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire:			
	(a)	property, plant and equipment	(56)	(56)
	(b)	businesses (see item 10)	-	-
	(c)	investments	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
	(d) intellectual property	(245)	(245)
	(e) other non-current assets	-	-
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**	**(301)**	**(301)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	5,667	5,667
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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**	**5,667**	**5,667**

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	1,480	1,480
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,999)	(2,999)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(301)	(301)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,667	5,667

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.5	Effect of movement in exchange rates on cash held	(37)	(37)
4.6	**Cash and cash equivalents at end of quarter**	**3,810**	**3,810**

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	3,810	1,480
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)**	**3,810**	**1,480**

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	(35)
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

		Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*		
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	400
9.3	Advertising and marketing	190
9.4	Leased assets	-
9.5	Staff costs	1,250
9.6	Administration and corporate costs	1,000
9.7	Other (provide details if material)	-
9.8	**Total estimated cash outflows**	**2,840**

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	-	-

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: .29/10/2017........................
(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.