For personal use only

MASSIVE GROWTH & MILESTONES JUN QTR 2021 - APPENDIX 4C COMMENTARY & OPERATIONAL UPDATE

Family Zone is pleased to provide its quarterly Appendix 4C cash flow report and commentary for the June quarter 2021.

Comparative ARR[1]	Licensed Students	Licensed Schools
$15.3 million	2.4 million	4.1 thousand
+95% YoY	+164% YoY	+127% YoY

"*The June quarter 2021 transformed Family Zone to be a key player in the US Education market. We added over 1 million students and 2,000 schools to our platform. And we now service in excess of 3 million students and 5% of US schools. With US schools enjoying unprecedented funding, and with a pipeline exceeding 2 million students we look forward to continued record growth.*" Tim Levy, Managing Director.

[1] Comparative Annual Recurring Revenue (**ARR**) is reported using budgeted exchange rates for comparative purposes. In nominal exchange rates the 30 June ARR was AU$14.1 million (85% growth YoY).

For personal use only

Highlights for the quarter

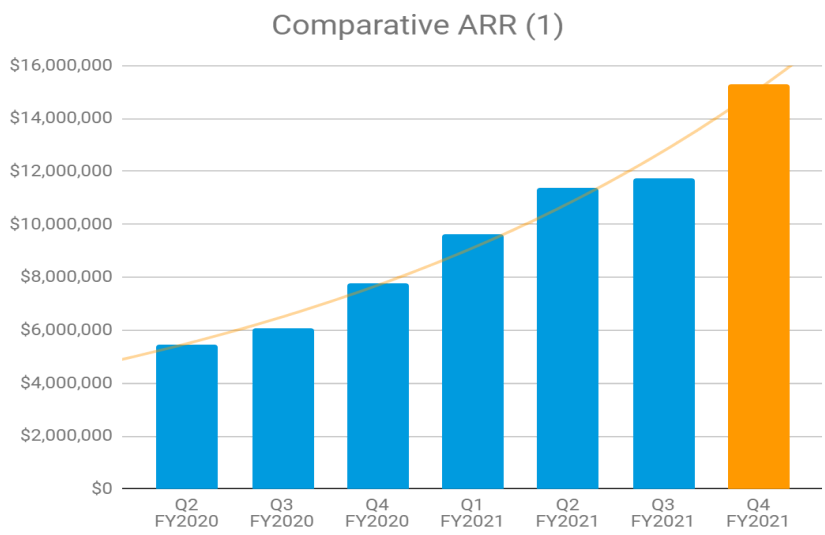
- Acquired innovative classroom technology provider, **NetRef**
- Added **~1** million students to the platform[2] ending with **3.0** million (**128%** YoY growth)
- Added ~**2,000** schools to the platform[2] ending with **5,602** (**128%** YoY growth)
- Added **~760k** contracted student licenses ending with **2.4 million**[3] (164% YoY growth)
- Ended the quarter servicing ~ **5.2**% of US school districts
- Ended the quarter with **4,129** contracted schools (**127%** YoY growth) adding ~**1,000** contracted schools including **395** acquired through NetRef
- Ended the quarter with **2.4** million contracted students (**164%** YoY growth) adding ~ **760k** students including ~**237k** acquired through NetRef
- Signed contracts with an annual value of **$3.9** million (**92%** YoY growth) including **~$630k** through the acquisition of NetRef[4]
- Signed contracts with a total value of **$6.86** million (**89%** YoY growth) including **~$1** million through the acquisition of NetRef[4]
- Ended the quarter with a record **600k** students and **1,473** schools in proof of concept trials
- Undertook a $23 million capital raise, ending the quarter with **$35.6 million** in cash

Massive growth in ARR

The June quarter generated record growth in the Company's Annual Recurring Revenue (ARR).

For the purpose of comparing relative growth over recent quarters the chart (right) shows ARR growth using the Company's budget exchange rates for FY2021.

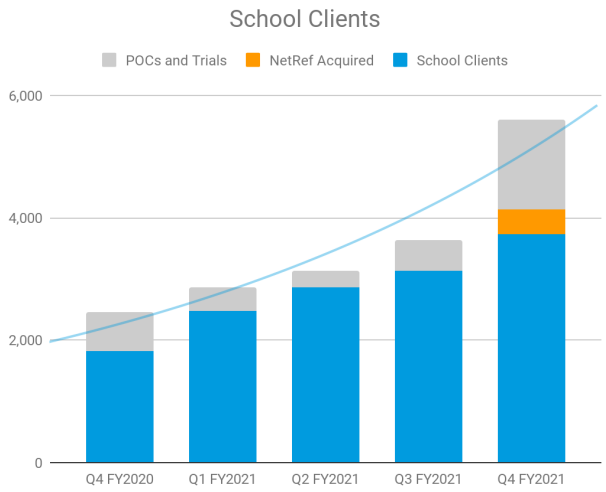
In nominal exchange rates the 30 June ARR similarly grew strongly by 85% YoY to AU$14.1 million .

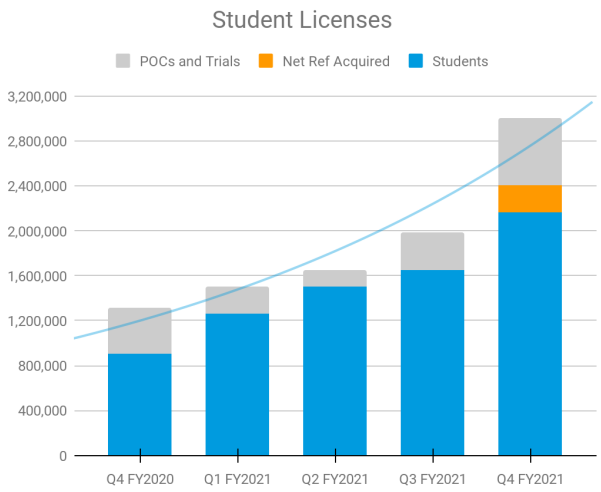


[2] Includes contracted schools/students and proof of concept trials.
[3] Includes 236,654 student licenses added though the acquisition of NetRef.
[4] Includes new contracts, renewals and upsells plus contracts added through the acquisition of NetRef.

For personal use only

Significant growth in schools and student numbers

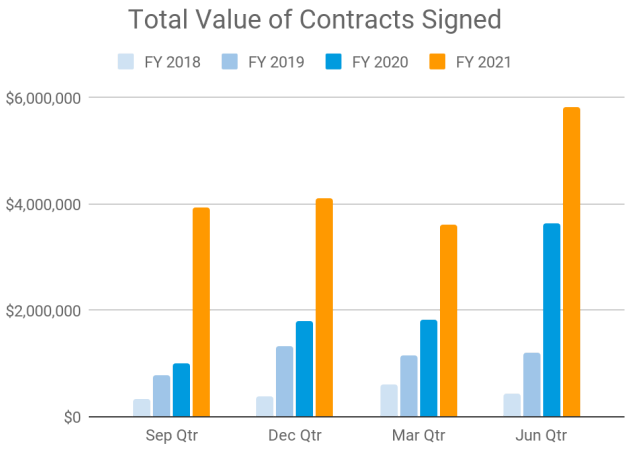


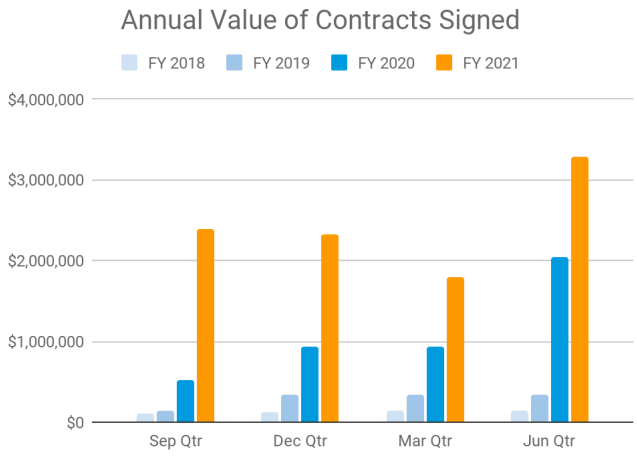


The Company achieved outstanding sales success in the quarter adding **~2,000** schools and **~1,000** contracted school clients. Approximately **1** million students were added to the Company's platforms with **~760,000** student licenses added. Significantly the Company's pipeline has grown with now **1,500** schools and **600k** students in proof of concept trials.

Substantial growth in contracted revenue

The Company continues to achieve significant growth in both total and annual value of contracts. Total contracts of **$5.8** million were signed with an additional **~$1** million added through the acquisition of NetRef. In annual value terms, this equates to **~$3.3** million of contracts signed plus an additional **~$630k** added through the acquisition of NetRef.





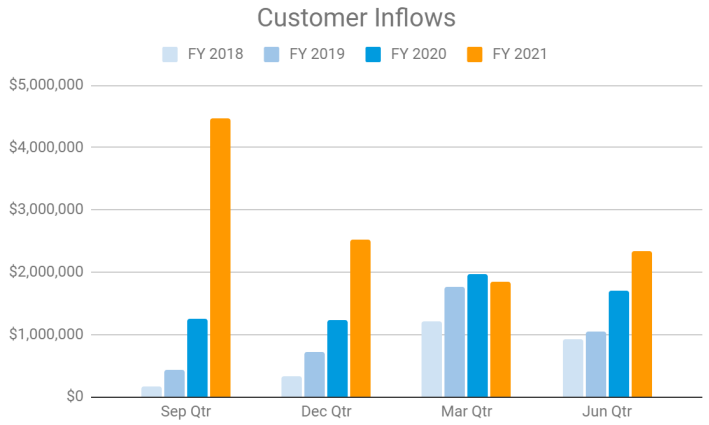
NOTE: The charts above exclude the additional value of contracts purchased through NetRef.

Financials

Billings & Collections

Customer collections of $2.4m for the quarter was slightly ahead of expectations.

It is noted that the majority of sales in the June quarter are 'back-ended' which is reflected in the Company's ~$6 million of debtors at 30 June 2021.



Acquisition of NetRef

During the quarter, the Company announced the acquisition of innovative US based classroom technology business NetRef.

The acquisition added ~240,000 student licences to the Company plus access to an innovative product and specialist and highly relevant technical and sales expertise in the US.

The transaction aligns with Company strategy for acquisitive growth where opportunities provide access to complementary capability or distribution.

The Company is pleased with the ongoing sales progress of the business since completion and its integration into the Family Zone group.

Improving operating leverage

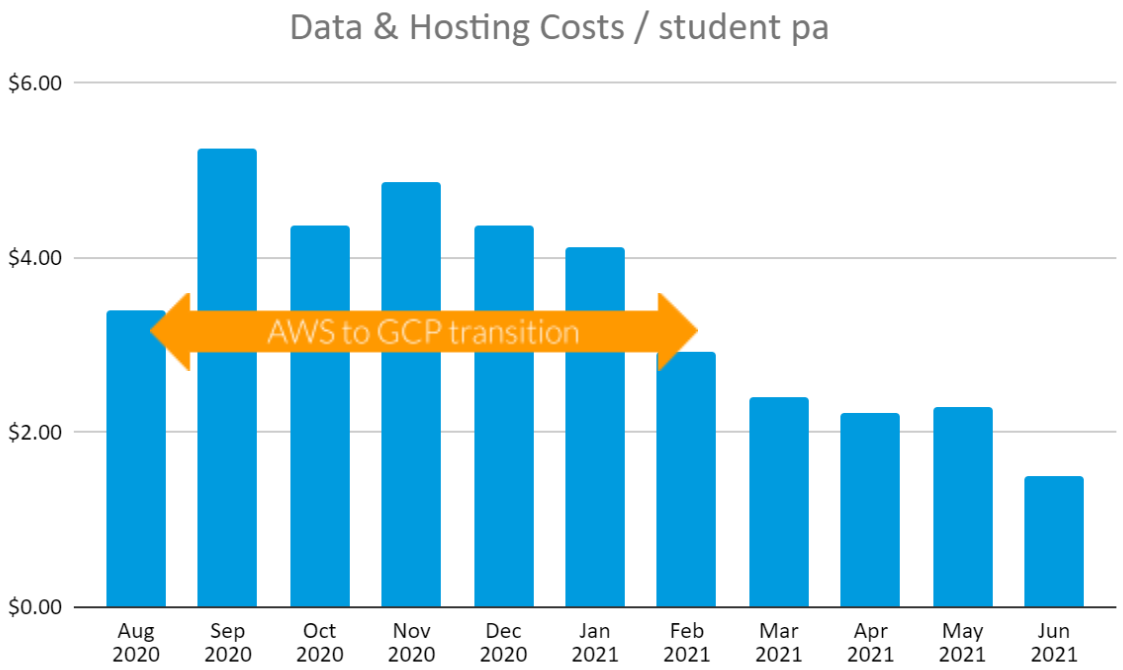
The Company is pleased to report that the combination of consolidation of data & hosting services and scale continues to drive down costs. Our data & hosting costs have now dropped below $AU1.5 per student per year. This decrease in data and hosting costs is reflected in the reduced outflow from product manufacturing and operating cost during the quarter to only $174k.

The chart below highlights this change and the impact during September 2020 to January 2020 of running AWS (Amazon Web Services) and GCP (Google Cloud Platform) in parallel.

The Company is well on track to exceeding it's targeted of <$1.3 per student pa by the end of this financial year (FY2022).

For personal use only

For personal use only



Successful institutional capital raising

The Company undertook a successful placement of $23 million through institutional, professional and sophisticated investors during the quarter.

The objective of the Placement was to support the NetRef acquisition and ensure the Company was well placed for continued expansion and the pursuit of organic and inorganic growth opportunities.

The Company placed 42,990,654 new fully paid ordinary shares at a price of $0.535 per share representing a 9.3% discount to the closing price on 22 June 2021.

The Placement was supported by Argonaut Securities Pty Limited, Shaw and Partners Limited and Euroz Harteys Limited who acted as joint lead managers.

R&D Grant

The Company ceased using R&D financing mechanisms in 2020. During the quarter the Company received no R&D grants funding. The next expected receipt of R&D grants is in the December quarter.

For personal use only

Outlook

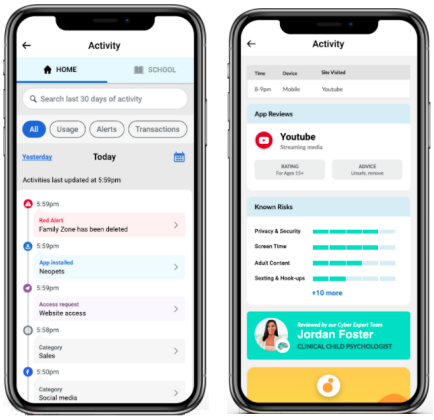
Record B2B sales pipeline

The Company's sales outlook is at record levels boosted by substantial funding in USA K-12 and the Company's growing reputation.

The September quarter is typically the second largest in US education technology. The Company ended the quarter with a record 600,000 students in POC trials for which conversion rates are typically 80-90%. The Company's total pipeline at 30 June was ~2.4 million students.

The Company's progress in Canada is going to plan with a number of deals won and the Company participating in procurement processes representing in excess of 200,000 students.

USA Consumer launch



The Company is pleased with progress on it's consumer launch into the US.

Three US school districts are currently launching trials with a further 15 school districts to be added shortly for the next phase.

The integration of Family Zone's school and parent platforms and the delivery of cyber safety expert advice through our apps provide a unique holistic school community solution.

A full scale US consumer launch is planned in the coming months as students return to school.

Funding

The Company is exceptionally well funded to execute on its growth plans. Total cash held at 30 June 2021 is $35.6 million.

It is noted that in the education sales cycles the December half typically accounts for 60-70% of the Company's cash receipts.

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 approximately $221,000 relate to Directors' salaries and superannuation payments and professional fees paid to Grange Consulting for financial management services.

This announcement was made on 28 July , 2021 and was 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.

Contacts

Tim Levy
Managing Director
timl@familyzone.com
+61 413 563 333

Tim Dohrmann
Investor Relations
tim@nwrcommunications.com.au
+61 468 420 846

Family Zone Cyber Safety Ltd
945 Wellington Street
West Perth, WA 6005

Ends.

For personal use only

For personal use only

Appendix 4C

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

Name of entity

Family Zone Cyber Safety Limited

ABN	**Quarter ended ("current quarter")**
33 167 509 177	30 June 2021

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	2,337	11,187
1.2	Payments for		
	(a) research and development	(2,989)	(9,959)
	(b) product manufacturing and operating costs	(174)	(2,718)
	(c) advertising and marketing	(219)	(864)
	(d) leased assets	-	-
	(e) staff costs	(3,475)	(9,863)
	(f) administration and corporate costs	(1,156)	(4,712)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	5
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	100	3,076
1.8	Other (provide details if material)	-	418
1.9	**Net cash from / (used in) operating activities**	**(5,575)**	**(13,429)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(847)	(2,360)
	(d) investments	-	-
	(e) intellectual property	-	-

For personal use only

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
	(f) other non-current assets	-	-
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	(24)	(33)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(872)**	**(2,394)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)*	21,735	47,251
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	2
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(260)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(1,329)
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**	**21,735**	**45,664**

* Net of capital raising costs

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	20,338	5,805
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,575)	(13,429)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(872)	(2,394)

For personal use only

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)	21,735	45,664
4.5	Effect of movement in exchange rates on cash held	(33)	(52)
4.6	**Cash and cash equivalents at end of period**	**35,594**	**35,594**

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	35,594	20,338
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)**	**35,594**	**20,338**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	221
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

For personal use only

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)	(5,575)
8.2	Cash and cash equivalents at quarter end (item 4.6)	35,594
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	35,594
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	6.38

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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

8.6.2 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

8.6.3 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

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

For personal use only

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: 28 July 2021

Authorised 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.