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ASX Announcement

Family Zone Cyber Safety Ltd | **ASX : FZO** | ('Family Zone' or the 'Company') Perth, Oct 28, 2020

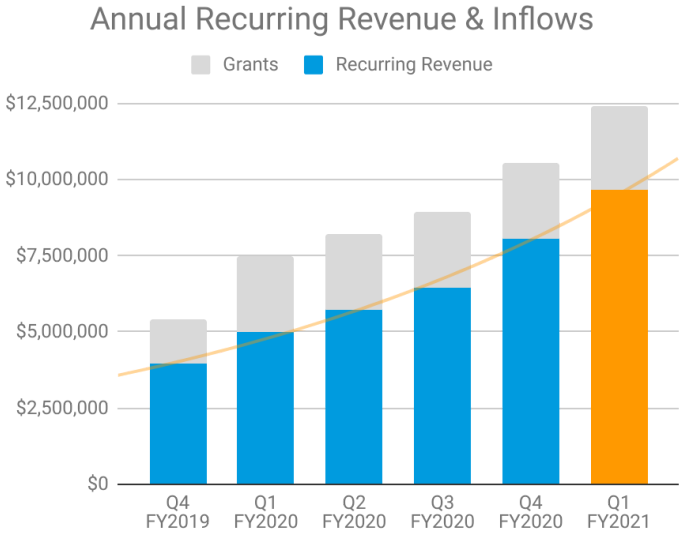


SEP QTR 2020 - APPENDIX 4C COMMENTARY & OPERATIONAL UPDATE

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

KEY METRICS

Measure		YoY
RECURRING Revenue[1]	$9.6 m	93%
STUDENTS Contracted Licenses	1.26 m	139%
SCHOOLS Contracted	2,468	151%
PREMIUM Accounts	16.5k	27%



[1] Estimated annual recurring revenue

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Highlights for the September quarter

- Collected a record $4.4 million from customers (250% YoY growth), ending the quarter with $8.7 million in cash
- Contracted a record of 704 new schools (317% YoY growth) and 370k student licenses (355% YoY growth)
- POCs at the end of the quarter of 387 schools with 243,552 students (>1,000% YoY growth)
- Signed a record of $2.5 million in annual value of contracts (373% YoY growth)
- Signed a record of $3.8 million in total value of contracts (280% YoY growth)
- Ended the quarter with 2,834 schools on the platform (176% YoY growth)
- Ended the quarter with 2,447 contracted schools (148% YoY growth)
- Ended the quarter with 1.26 million student licenses and 1.5 million on the platform
- Ended the quarter servicing in excess of 2.5% of US school districts across 37 US states and with a continued strong sales pipeline
- Funded to accelerate growth over the coming quarters, including deploying into new markets

Subsequent to the end of the quarter the Company has continued its rapid growth in sales with the Company recently passing through 1.3 million contracted student licenses.

Further, the Company has also recently announced the completion of a $20 million capital raising and the launch of a $2 million share purchase plan offer.

These results, combined with the strong funding, sets the Company up for accelerated growth in existing markets and expansion into new ones.

COMMENTARY

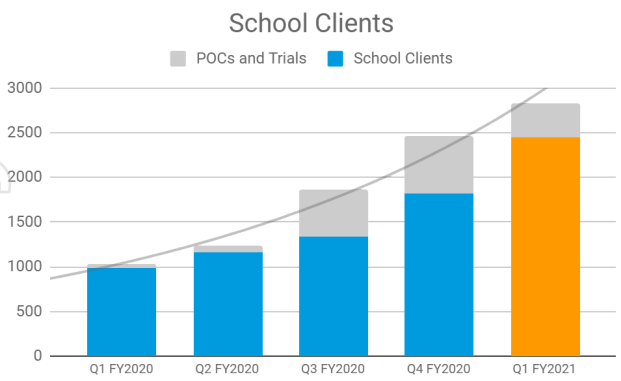
Record growth in Education sales once again

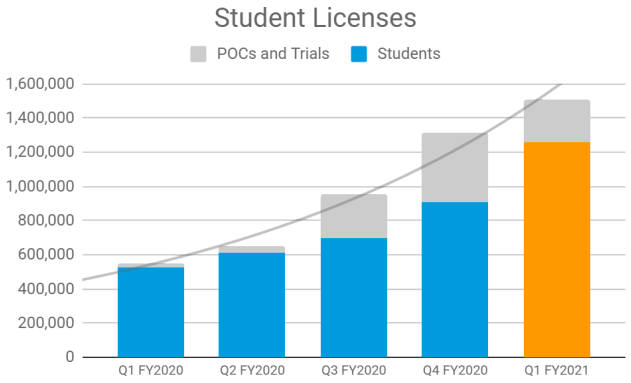
The Company achieved outstanding sales success in the September quarter.

704 contracted schools and 370k contracted student licenses were added in the quarter. This represents 317% and 355% YoY growth respectively and highlights the Company's improving sales performance and reputation in the US market.

At the conclusion of the quarter, the Company had 2,834 schools live of which 2,447 are under contract, with 387 schools trialling Family Zone's services, compared to 40 in the corresponding quarter last year.

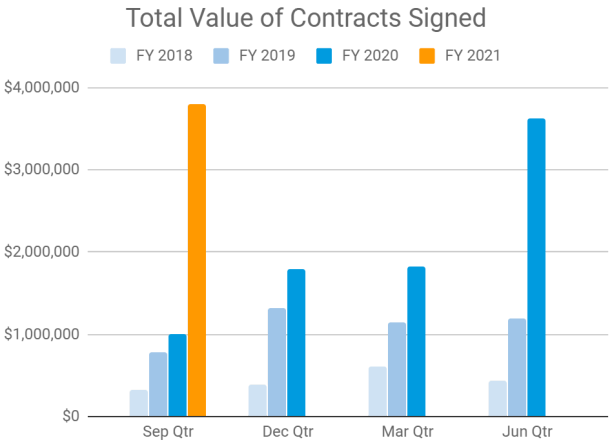
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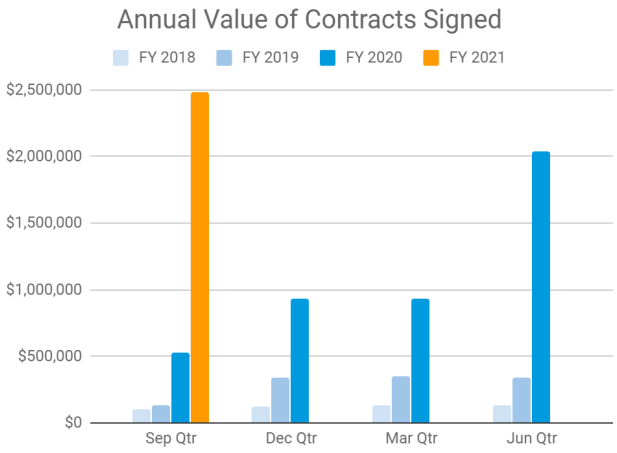




Substantial growth in contracted revenue

The Company achieved new sales records in the quarter, signing contracts with a total value of $3.8 million and an annual value of $2.5 million. This represents 280% and 373% YoY growth respectively.





Encouragingly, our sales pipeline, inclusive of proof of concept trials remains strong, providing the Company with confidence of continued strong sales momentum and substantial year-on-year growth.

Consumer growth continues

The Company continues modest promotion of it's consumer offerings. Pleasing sales growth continues with 27% YoY growth achieved in the quarter.

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

Substantial growth in customer collections

With recent acceleration in sales, customer collections growth has followed with a record $4.4 million collected in the quarter, representing 250% growth YoY. The following chart highlights this growth as well as the Company's sales/cash collections cycles.

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During the quarter the Company continued its investment in R&D, sales resources and product development, hiring or seeking to hire an additional 34 personnel across Australia and the US.

The Company ended the quarter with $8.7 million in funds and received an expected $880k tax refund in October.

Subsequent to the end of the quarter, the Company announced a $20 million capital raising and the launch of a $2 million share purchase plan offer.

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 $145,000 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..

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

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Name of entity

Family Zone Cyber Safety Limited

ABN	**Quarter ended ("current quarter")**
33 167 509 177	30 September 2020

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	4,477	4,477
1.2	Payments for		
	(a) research and development	(1,284)	(1,284)
	(b) product manufacturing and operating costs	(854)	(854)
	(c) advertising and marketing	(168)	(168)
	(d) leased assets	-	-
	(e) staff costs	(2,071)	(2,071)
	(f) administration and corporate costs	(1,112)	(1,112)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	670	670
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(342)**	**(342)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(622)	(622)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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	(9)	(9)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(631)**	**(631)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,059	4,059
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	(79)	(79)
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**	**3,979**	**3,979**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	5,805	5,805
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(342)	(342)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(631)	(631)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,979	3,979
4.5	Effect of movement in exchange rates on cash held	(156)	(156)
4.6	**Cash and cash equivalents at end of period**	**8,655**	**8,655**

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	8,655	5,805
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)**	**8,655**	**5,805**

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	145
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.

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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)	(342)
8.2	Cash and cash equivalents at quarter end (item 4.6)	8,655
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	8,655
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	25.27

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.

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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 October 2020

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.

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