Family Zone Cyber Safety Limited

ACN 167 509 177

ANNUAL REPORT

for the year ended 30 June 2016

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CORPORATE INFORMATION

Directors

Tim Levy	Managing Director
John Sims	Non-executive Chairman
Crispin Swan	Executive Director - Sales
Phil Warren	Non-executive Director

Company secretary
Emma Wates

Registered and principal administrative office:
945 Wellington Street
WEST PERTH WA 6005
Telephone: +61 8 9322 7600

Principal place of business
Level 15, 207 Murray Street
WEST PERTH WA 6000
Telephone: 1300 398 326

Share register
Automic Registry Services
Suite 310, 50 Holt Street
SURRY HILLS, NSW 2010
Telephone: +61 8 9324 2099

Solicitors
GTP Legal
68 Aberdeen Street
NORTHBRIDGE WA 6003
Telephone: +61 8 6555 1866

Bankers:
Westpac Banking Corporation
Level 14, 109 St Georges Terrace
Perth WA 6000

Auditors:
Pitcher Partners BA&A Pty Ltd
Level 1, 914 Hay Street
PERTH WA 6000
Telephone: +61 8 9322 2022

Securities Exchange Listing
Family Zone Cyber Safety Limited is listed on the Australian Securities Exchange (ASX Code: FZO)

DIRECTORS' REPORT

Your Directors have pleasure in submitting their report together with the financial statements of Family Zone Cyber Safety Limited (the 'Company') for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

DIRECTORS

The Directors in office at any time during the financial year and until the date of this report are as follows:

Mr Tim Levy	Managing Director	
Mr John Sims	Non-executive Independent Chairman	(Appointed 13 May 2016)
Mr Crispin Swan	Executive Director – Sales	
Mr Phil Warren	Non- executive Independent Director	(Appointed 13 May 2016)
Mr Ben Trigger	Director	(Resigned 13 May 2016)
Mr Paul Robinson	Director	(Resigned 13 May 2016)

The Directors have been in office since the start of the year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were the continued development, technical assessment and trials of the Family Zone Platform a universal parental control platform that works in the home, outside, within carrier networks, public hotspots and schools.

The Family Zone Platform is a cloud based parental control platform owned and operated by the Company. The Family Zone Platform incorporates networking and application technologies which allow parental controls to be embedded within home, enterprise, public and telecommunications carrier networks and installed on mobile devices.

The Family Zone Platform was soft launched in Australia in March 2016 with its consumer offerings including the Family Zone Box and Family Zone App available for sale direct to consumers.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

The net loss attributable to members of the Company for the year ended 30 June 2016 amounted to $2,815,607 (2015: loss $654,948).

REVIEW OF OPERATIONS

The operations of the Company for the majority of the financial year have been focussed on the ongoing development, technical assessment and trials of the Family Zone Platform. In building and developing the Family Zone Platform the Company has invested heavily in R&D during the financial year incurring significant expenditure in IT services, IP and branding as well as business development, administration and inventory costs in preparing for the commercial launch of its products. The Company reported an operating loss of $2,815,607 for the financial year, which includes an intangible asset impairment of $690,041 and share based payment expense of $512,141.

In October 2015 the Company initiated a beta testing programme with USA based beta testing provider CenterCode. Feedback from the beta testing resulted in a number of enhancements being introduced to the Family Zone Platform in early 2016.

The Family Zone Platform has been specifically designed to allow for a wide variety of channel and distribution opportunities. During the financial year the Company has been focused on pursuing the following key distribution channels:

- Direct to consumer;
- Re-sale through telecommunications carriers; and
- Access partnerships (Access Partner Model).

The Family Zone products and services can be sold direct to consumers and generate revenues through Family Zone Box sales and subscription revenues. The Family Zone Platform consumer offerings including the Family Zone Box and Family Zone App were only soft launched in Australia in March 2016 with a full launch being undertaken in July 2016. The Company therefore did not generate any material sales revenues from its consumer offerings during the financial year with other revenues of $438,490 generated in the financial year predominantly from government grants and interest.

Telecommunication carriers also represent a significant distribution opportunity for the Company, with the Family Zone products and services being suitable to offer through carriers to their customers as a value added service. The Company's strategy is to charge a monthly wholesale fee per Family Zone service provided through the carrier. The fee charged will vary based on the level of service offered by the Company and carrier. During the financial year the Company pursued commercial negotiations and commenced technical trials of the Family Zone server level technology within the carrier network of a major Philippines telecommunications carrier. No wholesale product sales were however generated through telecommunication partners during the financial year.

The Access Partner Model involves partnering with providers of on premise networking equipment and connectivity solutions to multi-dwelling units and commercial and residential properties to embed the Family Zone filtering technologies within their hardware. The Company aims to create effective Family Zone hotspots to market its products and services to consumers. During the financial year the Company entered into arrangements and commenced testing of the Family Zone technology with two access partners in the USA.

The Company's key asset is the intellectual property associated with the Family Zone Platform and the commercialisation of that product. This comprises various trademarks, patents, licenced patents, copyright in the software which is the Family Zone Platform, as well as other unregistered intellectual property constituted by confidential information and know-how. It also comprises registered domain names. Other assets as at 30 June 2016 comprise cash, Family Zone Box inventories and capitalised development costs.

During the financial year the Company commenced preparation for a capital raising and listing on the Australian Securities Exchange and converted from a private to public company on 10 June 2016. The Company was admitted to official quotation on ASX following the end of the financial year on 29 August 2016 (Refer to events since the end of the financial year for further details).

On 23 June 2016 the Company undertook a 1 for 1.913974 share consolidation (**Consolidation**). All Securities in this Directors report are on a post Consolidation basis unless otherwise stated.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company that occurred during the financial year not otherwise disclosed in this report or the financial statements.

AFTER BALANCE DATE EVENTS

Following the end of the financial year the Company lodged and an initial public offering Prospectus dated 12 July 2016 and Supplementary Prospectus dated 26 July 2016 with ASX and ASIC for the issue of up to 30,000,000 Shares at an issue price of $0.20 to raise $6,000,000 as well as an offer of 7,500,000 Options (with an exercise price of $0.25 and expiry date of 29 August 2019) at an issue price of $0.005 to raise a further $37,500 (together **Offers**). The Offers were closed heavily oversubscribed with the Company raising $6,037,500 and being admitted to the Official Quotation on ASX on 29 August 2016.

On completion of the Company's initial public offering on ASX, 1,430,000 Convertible Notes on issue at 30 June 2016 were converted into 13,758,927 Shares and 2,593,750 Attaching Options. The Company also issued 718,750 shares to Fidelio Partners in July 2016 pursuant to the Fidelio Agency Agreement following the receipt of a purchase order from a leading mobile carrier in South East Asia.

On 19 September 2016, the Company issued 3,880,958 Unlisted Options (exercise price of $0.33, expiry 19 September 2019) to employees of the Company pursuant to the Company's Employee Share Option Plan.

- 25% of options will vest and become exercisable upon the Company having 20,000 paying subscribers registered by 31 December 2017.
- 25% of options will vest and become exercisable upon the Company having 30,000 paying subscribers registered by 31 December 2017.
- 25% of options will vest and become exercisable upon the Company achieving $10,000,000 of customer revenue in any financial years ended 30 June 2017, 2018 or 2019.

Apart from the events discussed above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years

LIKELY DEVELOPMENTS

Other than as disclosed elsewhere in this report, there are no likely developments in the operations of the Company that were not finalised at the date of this report.

ENVIRONMENTAL REGULATION

The Company is not subject to any significant environmental Commonwealth or State regulations or laws.

DIVIDENDS

There were no dividends paid or declared or recommended since the start of the financial year.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

DIRECTORS

Mr Tim Levy
B. Com, CA

Experience and expertise

Mr. Levy is a successful telecommunications and technology entrepreneur. He is the founder of Vodafone's largest Australian retail partner Mo's Mobiles and was the former CEO/COO of listed Optus reseller B Digital Limited. Prior to working in commerce Mr. Levy was a management consultant at Andersen's working in technology and change projects across Australia, South Africa, Zambia, Jordan and Saudi Arabia.

Mr. Levy is a graduate of the University of Western Australia and was a practising Chartered Accountant prior to his move into commerce.

Other current directorships of ASX listed companies

Nil

Other directorships held in ASX listed companies in the last three years

Nil

Mr John Sims
B. Acc (Glasgow)

Experience and expertise

Mr. Sims is a successful technology and telecommunications executive with over 35 years' experience. Based in San Francisco his former roles include:

- President, Global Sales, BlackBerry Limited
- Global Head of Telecom & President, SAP Mobile Services, SAP AG
- Board Member, Mobixell Networks
- CEO, 724 Solutions Inc
- Founder and CEO, TANTAU Software Inc
- COO, SCC Communications (now Intrado, part of West Corp) and
- Vice President, Telecommunications, Tandem Computers

Other current directorships of ASX listed companies

Nil

Other directorships held in ASX listed companies in the last three years

Nil

Mr Crispin Swan
B. Arts (Hons) (UK/Germany)
European Business Programme

Experience and expertise

Mr Swan is an experienced sales executive and general manager working across a range of global enterprises. His expertise is in international business development, executive and IT & T sales. Mr. Swan's former roles have included:

- Vice President Sales Asia Pacific, Mavenir Systems
- Regional Sales Director and General Manager, Airwide Solutions
- Network Infrastructure Solutions IS Manager for Australia & Papua New Guinea, Schlumberger
- Sales Manager, Sema
- Account Manager, Cisco Systems
- Account Manager, Alcatel-Lucent and
- Sales Executive, Cable & Wireless Communications

Other current directorships of ASX listed companies

Nil

Other directorships held in ASX listed companies in the last three years

Nil

Mr Phil Warren
B. Com, CA

Experience and expertise

Mr Warren is a Chartered Accountant and executive director of West Perth based corporate advisory firm Grange Consulting. Mr. Warren has over 20 years of experience in finance and corporate roles in Australia and Europe. He has specialised in company valuations, mergers and acquisitions, capital raisings, debt financing, financial management, corporate governance and company secretarial services for a number of public and private companies.

Mr. Warren has established a number of ASX listed companies from initial unlisted shell seed raisings through to asset acquisitions leading to ASX listings and continues to act as corporate advisor to some of these companies. Mr. Warren is a non-executive director of Cassini Resources Limited and Rent.com.au Limited and also sits on a number of unlisted company boards in his capacity as finance director.

Other current directorships of ASX listed companies

Cassini Resources Limited

Rent.com.au Limited

Other directorships held in ASX listed companies in the last three years

Nil

Mr Ben Trigger

Mr Trigger was a Director of the Company until 13 May 2016 and is currently Vice President, Technology Applications of the Company.

Experience and expertise

Mr. Trigger is an experienced technology consultant, and business operator based in Perth, Western Australia. He is the founder and Managing Director of full-service aged-care telecommunications operator Living Networks and prior to working for the company, Mr. Trigger was a Director of Ultimation and CEO of Netlink Group.

Mr. Trigger is responsible for application development for Family Zone.

Other current directorships of ASX listed companies

Nil

Other directorships held in ASX listed companies in the last three years

Nil

Mr Paul Robinson
B. Bus (Comp Science)

Mr Robinson was a Director of the Company until 13 May 2016 and is currently Vice President, Technology Services of the Company.

Experience and expertise

Mr. Robinson is an experienced technology consultant, and business operator based in Perth, Western Australia. He is the co-founder and owner of Permeance Technologies a specialist provider of information technology to enterprises and public educational providers in Australia. Mr. Robinson is responsible for information technology services and partner deployments

Other current directorships of ASX listed companies

Nil

Other directorships held in ASX listed companies in the last three years

Nil

COMPANY SECRETARY

Ms Emma Wates
B.Com, CA, CSA

Experience and expertise

Ms Wates is a Chartered Accountant and corporate advisor at Grange Consulting Group with over 15 years' experience. She specialises in providing valuation advice, due diligence investigation, corporate governance, compliance and company secretarial services to both public and private companies. She has advised on the listing of a number of companies on ASX as well as being involved in various secondary and seed raisings for public and private companies.

MEETINGS OF DIRECTORS

The Company converted from being a private to public company on 10 June 2016 and listed on ASX on 29 August 2016. As the Company was an unlisted private company for the majority of the financial year ended 30 June 2016 no formal Board Meetings were held during the financial year.

The Founding Directors (Tim Levy, Crispin Swan, Ben Trigger and Paul Robinson) were each actively involved in the operations and management of the Company would meet regularly to discuss the operational performance and strategic direction of the Company. Messrs Phil Warren and John Sims were appointed on 13 May 2016 in preparation for the listing of the Company on ASX and were regularly updated on the Company's operation and listing process. All material decisions including the issue of securities were approved by circular resolution of Directors.

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in fully paid ordinary shares (**Shares**), unlisted options and performance shares of the Company were:

Director	Shares	Unlisted Options	Class A Performance Shares	Class B Performance Shares	Class C Performance Shares
Tim Levy	5,801,118	750,000	3,878,611	3,878,610	3,878,610
John Sims	-	1,500,000	-	-	-
Crispin Swan	1,891,190	750,000	2,205,384	2,205,383	2,205,383
Phil Warren	65,310	2,000,000	-	-	-
Ben Trigger*	2,011,309	-	1,674,677	1,674,677	1,674,678
Paul Robinson*	1,848,018	-	1,574,662	1,574,663	1,574,662

**Resigned May 2016*

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

On 12 September 2016 the Company paid an insurance premium of $27,182 for Directors and Officers Liability Insurance cover with an indemnity limit of $10,000,000.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court under Section 237 of the Corporations Act 2001 to bring proceedings on behalf of the Company.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2016 is provided in this report.

DIRECTORS' REPORT (CONTINUED)

NON-AUDIT SERVICES

Pitcher Partners BA&A Pty Ltd consented to and was appointed as the Company's auditors on 20 May 2016 to replace the Company's former auditor DM Advisor Services.

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important. Non-audit services were provided by the Company's current auditors, Pitcher Partners BA&A Pty Ltd as detailed below. The Company's former auditors, DM Advisory Services did not provide any non-audit services to the Company.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

	30 June 2016 $	30 June 2015 $
Amounts paid/ payable to Pitcher Partners BA&A Pty or related entities for non-audit services		
Preparation of Investigating Accountants Report	15,000	-
Pitcher Partners (WA) Pty Ltd - Taxation	2,000	
Total auditors remuneration for non-audit services	**17,000**	**-**

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Company for the year ended 30 June 2016. The information contained in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The information provided includes remuneration disclosures that are required under Accounting Standard AASB 124 “Related Party Disclosures”. These disclosures have been transferred from the Financial Report.

This remuneration report details the remuneration arrangements for key management personnel (“KMP”) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes the following specified executives in the Company:

A. Details of Key Management Personnel

Name	Position	Period of Responsibility
Mr Tim Levy	Managing Director	Appointed 1 April 2014
Mr John Sims	Non-Executive Chairman	Appointed 13 May 2016
Mr Crispin Swan	Executive Director - Sales	Appointed 3 September 2015
Mr Phil Warren	Non-Executive Director	Appointed 13 May 2016
Mr Ben Trigger	Director[1]	Appointed 13 January 2014, Resigned 13 May 2016
Mr Paul Robinson	Director[2]	Appointed 1 April 2014, Resigned 13 May 2016

1. *Mr Ben Trigger is currently the Vice President of Technology Applications*
2. *Mr Paul Robinson is currently the Vice President Technology Services*

B. Remuneration Policies

Remuneration levels for Directors, secretaries and senior executives of the Company (“the Directors and senior executives”) will be competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board may obtain independent advice on the appropriateness of remuneration packages given trends in comparative companies both locally and internationally and the objectives of the Company’s remuneration strategy. No such advice was obtained during the current year.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:
- the capability and experience of the Directors and senior executives;
- the Directors and senior executives ability to control the relevant performance;
- the Company’s performance; and
- the amount of incentives within each Directors and senior executive’s remuneration.

Remuneration packages include a mix of fixed remuneration and variable remuneration and short and long-term performance-based incentives.

Fixed remuneration consists of base remuneration, as well as employer contributions to superannuation funds.

Remuneration levels will be, if necessary reviewed annually by the Board through a process that considers the overall performance of the Company. If required, external consultants provide analysis and advice to ensure the Directors’ and senior executives’ remuneration is competitive in the market place.

The remuneration policy will be tailored to increase goal congruence between shareholders and Directors and key management personnel. This will be facilitated through the issue of options and performance shares to key management personnel to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT CONTINUED (AUDITED)

Service Agreements

The Company entered into services agreements with each of its executive Directors and key management personnel as part of the process of converting into a public company and listing on the ASX. The Company also entered into Non-executive Director appointment letters outlining the policies and terms of this appointment including compensation to the office of Director.

The principal terms of the executive service agreements existing at reporting date are set out below

Mr Tim Levy – Managing Director

The Company and Mr Tim Levy entered into an executive services agreement on 28 June 2016 for his role as Managing Director of the Company which commenced 29 August 2016 (the date of the Company was admitted to and Official List) and continues until terminated under the termination provisions outlined below. The principal terms of this agreement are as follows.

a) a base salary of $200,000 per annum plus statutory superannuation;
b) the issue of 750,000 Incentive Options, which have been issued;
c) the agreement may be terminated
   (i) by either party without cause with 12 months written notice or if the Company elects to with payment in lieu of notice;
   (ii) by the Company with one month's notice, or immediately with payment in lieu of notice if Mr Levy is unable to perform his duties under the agreement for three consecutive months or a period aggregating to three months in an 12 month period;
   (iii) by either party with 12 months written notice if the role of Managing Director becomes redundant. If the Company terminates the employment of Mr Levy within 12 months of a Change of Control it will be deemed to be a termination by reason of redundancy. If the Company terminates for reason of redundancy it shall be obliged to pay Mr Levy for any notice period worked. In addition it will be required to pay any redundancy amount payable under applicable laws, an amount equal to 12 months base salary (less tax) and any accumulated entitlements; and
   (iv) by the Company, at any time with written notice and without payment (other than entitlements accrued to the date of termination) as a result of any occurrence which gives the Company a right of summary dismissal at common law;
   (v) by Mr Levy immediately, by giving notice, if the Company is in breach of a material term of this agreement.

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT CONTINUED (AUDITED)

Mr Crispin Swan– Executive Director – Sales

The Company and Mr Crispin Swan entered into an executive service agreement for his role as Executive Director - Sales of the Company which commenced on 29 August 2016 (the date the Company was admitted to the Official List of ASX) and continues until terminated under the termination provisions outlined below. The principal terms of the agreement are as follows:

a) a base salary of $220,000 per annum plus statutory superannuation;
b) the issue of 750,000 Incentive Options, which have been issued;
c) the agreement may be terminated
   (i) by either party without cause with 12 months written notice or if the Company elects to with payment in lieu of notice;
   (ii) by the Company with one month's notice, or immediately with payment in lieu of notice if Mr Swan is unable to perform his duties under the agreement for three consecutive months or a period aggregating to three months in an 12 month period;
   (iii) by either party with 12 months written notice if Mr Swan's role becomes redundant. If the Company terminates the employment of Mr Swan within 12 months of a Change of Control it will be deemed to be a termination by reason of redundancy. If the Company terminates for reason of redundancy it shall be obliged to pay Mr Swan for any notice period worked. In addition it will be required to pay any redundancy amount payable under applicable laws, an amount equal to 12 months base salary and any accumulated entitlements; and
   (iv) by the Company, at any time with written notice and without payment (other than entitlements accrued to the date of termination) as a result of any occurrence which gives the Company a right of summary dismissal at common law;
   (v) by Mr Swan immediately, by giving notice, if the Company is in breach of a material term of this agreement.

Mr Ben Trigger and Mr Paul Robinson – Vice Presidents Technology

The Company has entered into consultancy agreements with Mr Ben Trigger for his role as Vice President, Technology Applications and Mr Paul Robinson for his role as Vice President, Technology Services (together the **Vice President Consultancy Agreements**). The Vice Presidency Consultancy Agreements commenced on 29 August 2016 (the date the Company was admitted to the Official List of ASX) and continue until terminated under the termination provisions outlined below.

The principal terms of the Vice President Consultancy Agreements are as follows:

a) a daily consultancy fee of $770 exclusive of GST (if applicable);
b) the consultant will work a minimum of three days per week during normal working hours. This reflects the time commitment currently required of the consultant given the size and nature of the Company. However the time commitment may be reviewed and increased from time to time in light of the growth of the Company.
c) the consultant may be eligible at the Company's discretion to participate in the Company's ESOP on terms determined by the Company and the Company may pay a discretionary cash bonus on achievement of KPIs during each year of the Term;
d) the agreement may be terminated
   (i) by either party without cause with 6 months written notice or if the Company elects to with payment in lieu of notice;
   (ii) by the Company, at any time with written notice and without payment (other than entitlements accrued to the date of termination) as a result of any occurrence which gives the Company a right of summary dismissal at common law;
   (iii) by the consultant immediately, by giving notice, if the Company is in breach of a material term of this agreement.

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT CONTINUED (AUDITED)

Non-Executive Directors and Chairman

Non-executive Director fees are set based on fees paid to other Non-Executive Directors of comparable companies. The aggregate remuneration for Non-Executive Directors has been set by the Board at an amount not to exceed $500,000 per annum. The Board has resolved that the Non-Executive Directors' fees will be $50,000 per annum for the Chairman and $40,000 per annum for non-executive Directors (plus statutory superannuation).

The key terms of the Non-Executive Director service agreements are as follows:

Non-Executive Director Appointment – John Sims

The Company has entered into an agreement with Mr John Sims in respect of his appointment as a Non-Executive Director and Chairman of the Company.

Mr Sims will be paid a fee of $50,000 per annum (exclusive of statutory superannuation) for his services as Non-Executive Director and Chairman from the date of the Company's admission to the Official List of ASX and will be reimbursed for all reasonable expenses incurred in performing his duties. In addition, the Company has issued to him 1,500,000 Incentive Options each exercisable at $0.25 on or before 20 May 2019.

The appointment of Mr Sims as Non-Executive Chairman is otherwise on terms that are customary for an appointment of this nature.

Non-Executive Director Appointment – Phil Warren

The Company has entered into an agreement with Mr Phil Warren in respect of his appointment as a Non-Executive Director of the Company.

Mr Warren will be paid a fee of $40,000 per annum (exclusive of statutory superannuation) for his services as Non-Executive Director from the date of the Company's admission to the Official List of ASX and will be reimbursed for all reasonable expenses incurred in performing his duties. In addition, the Company has issued to him 500,000 Incentive Options each exercisable at $0.25 on or before 20 May 2019.

The Company does not have a Director's Retirement Scheme in place at present.

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT CONTINUED (AUDITED)

C. Remuneration of Key Management Personnel

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of the Company for the year ended 30 June 2016 are set out in the following table.

Directors and Key Management Personnel	Short -term				Post employment			Long term	Share based pay-ments	TOTAL	Total performance related %	Options/ Shares as % of total
30 June 2016	**Salary fees $**	**Cash bonus $**	**Non-monetary $**	**Other $**	**Super-annuation $**	**Retirement benefits $**	**Termination benefits $**	**Incentive Plans $**	**Options /Shares $**	**$**		
Mr Tim Levy	-	-	-	--	-	-	-	-	76,875	**76,875**	-	100%
Mr Crispin Swan	40,000	-	-	-	-	-	-	-	376,875	**416,875**	-	90%
Mr John Sims	-	-	-	--	-	-	-	-	153,750	**153,750**	-	100%
Mr Phil Warren	-	-	-	--	-	-	-	-	51,250	**51,250**	-	100%
Mr Ben Trigger*	-	-	-	--	-	-	-	-	-	**-**	-	-
Mr Paul Robinson*	-	-	-	--		-	-	-	-	**-**	-	-
Total Directors	**40,000**	**-**	**-**	**--**	**-**	**-**	**-**	**-**	**658,750**	**698,750**	**-**	**94%**

* Resigned as Directors on 13 May 2016 however continue their employment by the Company as Key Management Personnel.

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT CONTINUED (AUDITED)

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of the Company for the year ended 30 June 2015 are set out in the following table.

Directors and Key Management Personnel	Short -term				Post employment			Long term	Share based pay-ments	TOTAL	Total performance related %	Options as % of total
30 June 2015	**Salary fees $**	**Cash bonus $**	**Non-monetary $**	**Other $**	**Super-annuation $**	**Retirement benefits $**	**Termination benefits $**	**Incentive Plans $**	**Options $**	**$**		
Mr Tim Levy	-	-	-	--	-	-	-	-	-	**-**	-	-
Mr Crispin Swan	30,000	-	-	-	-	-	-	-	-	**30,000**	-	-
Mr Ben Trigger*	-	-	-	--	-	-	-	-	-	**-**	-	-
Mr Paul Robinson*	-	-	-	--		-	-	-	-	**-**	-	-
Total Directors	**30,000**	**-**	**-**	**--**	**-**	**-**	**-**	**-**	**-**	**30,000**	**-**	**-**

* Resigned as Directors on 13 May 2016 however continue their employment by the Company as Key Management Personnel.

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT CONTINUED (AUDITED)

D. Relationship between remuneration and company performance

As the Company only commenced the commercialisation of its Family Zone Platform and consumer product offerings in March 2016, the Directors assess performance of the Company with regard to the achievement of both operational and financial targets with a current focus on subscriber numbers and sales revenues. Following the end of the financial year the Company also listed on ASX and therefore the Board will also assess the performance of the Group with regard to the price of the Company's ordinary shares listed on the ASX and the market capitalisation of the Company.

Directors and executives are issued options and, in some cases, performance shares, to encourage the alignment of personal and shareholder interests.

Options issued to Directors and executives may be subject to market based price hurdles and vesting conditions and the exercise price of options is set at a level that encourages the Directors to focus on share price appreciation. The Company believes this policy will be effective in increasing shareholder wealth. Key management personnel are also entitled to participate in the employee share and option arrangements.

Performance shares vest on the achievement of operational and financial milestones, providing those Directors and executives holding performance shares an incentive to meet the operational and financial milestones prior to the expiry date of the performance shares.

On the resignation of Directors and executives any vested options issued as remuneration are retained by the relevant party.

The Board may exercise discretion in relation to approving incentives such as options. The policy is designed to reward key management personnel for performance that results in long-term growth in shareholder value.

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT CONTINUED (AUDITED)

E. Share based compensation

a) Details of compensation Options

The Company granted the following unlisted options as share based payments during financial year. These options are not dependent upon satisfaction of performance or vesting conditions and have been issued to increase goal congruence between Shareholders and Directors.

2016 Directors and Executives	Grant date	Number granted	Fair value per option at grant date	Number vested during the year	Vested %	Fair value of exercised options during the year	Number lapsed during the year	Year lapsed options were granted	Amount paid or payable for exercised options	Exercise price $	Expiry date
Tim Levy	20/05/16	750,000	$0.1025	750,000	100%	-	-	-	-	$0.25	20/05/2019
Crispin Swan	20/05/16	750,000	$0.1025	750,000	100%	-	-	-	-	$0.25	20/05/2019
John Sims	20/05/16	1,500,000	$0.1025	1,500,000	100%	-	-	-	-	$0.25	20/05/2019
Phil Warren	20/05/16	500,000	$0.1025	500,000	100%	-	-	-	-	$0.25	20/05/2019
Ben Trigger	-	-	-	-	-	-	-	-	-	-	-
Paul Robinson	-	-	-	-	-	-	-	-	-	-	-
Total	-	**3,500,000**	**-**	**3,500,000**	-	-	-	-	-	-	-

No shares were issued on the exercise of any compensation Options during the financial year.

REMUNERATION REPORT CONTINUED (AUDITED)

F. Key management personnel's equity holding

a) Number of Options held by key management personnel

The number of the options of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2016 are as follows:

Directors and Executives	Held at 1 July 2015	Granted as remuneration	Options exercised	Options expired	Held at 30 June 2016	Vested and exercisable at 30 June 2016
Mr Tim Levy	-	750,000	-	-	750,000	750,000
Mr John Sims	-	1,500,000	-	-	1,500,000	1,500,000
Mr Crispin Swan	-	750,000	-	-	750,000	750,000
Mr Phil Warren	-	500,000	-	-	500,000	500,000
Mr Ben Trigger	-	-	-	-	-	-
Mr Paul Robinson	-	-	-	-	-	-
Total	**-**	**3,500,000**	**-**	**-**	**3,500,000**	**3,500,000**

b) Number of Shares held by key management personnel

The number of ordinary shares of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities as at the date of this report is as follows :-

Directors and Executives	Held at 1 July 2015	Received as remuneration	Shares issued for cash subscription	Other changes	Held at 30 June 2016
Mr Tim Levy	5,032,276	-	3,925,916	(4,299,931)	4,658,261
Mr John Sims	-	-	-	-	-
Mr Crispin Swan	2,260,572	783,710	592,621	(1,745,712)	1,891,191
Mr Phil Warren	65,310	-	-	-	65,310
Mr Ben Trigger	3,606,865	-	261,035	(1,865,591)	2,011,035
Mr Paul Robinson	3,291,580	-	262,300	(1,705,862)	1,848,018
Total	**14,256,603**	**783,710**	**4,693,074**	**(9,617,096)**	**10,473,815**

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT CONTINUED (AUDITED)

c) Performance Share Holdings of Key Management Personnel

The number of Performance Shares of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2016 are as follows:

Directors and Executives	Total held at 1 July 2015	Class A Performance Shares	Class B Performance Shares	Class C Performance Shares	Total held at 30 June 2016
Mr Tim Levy	-	3,878,611	3,878,610	3,878,610	11,635,831
Mr John Sims	-	-	-	-	-
Mr Crispin Swan	-	2,205,384	2,205,383	2,205,383	6,616,150
Mr Phil Warren	-	-	-	-	-
Mr Ben Trigger	-	1,674,677	1,674,677	1,674,678	5,024,032
Mr Paul Robinson	-	1,574,662	1,574,663	1,574,662	4,721,987
	-	**9,333,334**	**9,333,333**	**9,333,333**	**28,000,000**

During the year ended 30 June 2016 the Company issued a total of 28,000,000 Performance Shares comprising 9,333,334 Class A Performance Shares, 9,333,333 Class B Performance Shares and 9,333,333 Class C Performance Shares in consideration for a selective buy back of 18,389,653 fully paid ordinary shares in the Company. The Performance Shares convert to ordinary fully paid shares on a one for one basis following the achievement of the performance milestones before the expiry date as outlined below:

- Class A Performance Shares convert on achievement of 15,000 paying subscribers of the Company generating at least $100,000 revenue per month over 3 consecutive months (as confirmed by the Company's auditor) by 29 August 2018

- Class B Performance Shares convert on achievement of $10,000,000 revenue by the Company over a 12 month rolling period of which 30% is subscription income (as confirmed by the Company's auditor) by 29 August 2019

- Class C Performance Shares convert on achievement of $20,000,000 revenue by the Company over a 12 month rolling period of which 30% is subscription income (as confirmed by the Company's auditor) by 29 August 2020

(together the **Performance Milestones)**

As at 30 June 2016 none of the Performance Milestones have been achieved.

G. Key Management Personnel Loans

No loans were provided to made, guaranteed or secured directly or indirectly to any KMP or their related entities during the financial year.

H. Other Transactions with Key Management Personnel

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

a) Grange Consulting and Grange Capital Partners

DIRECTORS REPORT (CONTINUED)

REMUNERATION REPORT CONTINUED (AUDITED)

Mr Phil Warren, a Director of the Company, is also a director of Grange Consulting and an entity related to him is shareholder of Grange Consulting. Grange Capital is an entity associated with Grange Consulting.

Grange Consulting was in June 2014 to provide company secretarial services to the Company. Pursuant to this engagement Grange Consulting received $2,000 (plus GST) per month for these services. An administration fee of 5% was also payable on each invoice. This engagement can be terminated by either party giving 60 days' notice in writing.

Grange Capital also received capital raising fees from the Company for assisting in its Convertible Note capital raising during the financial year. Grange Capital received a 0.05% management fee for the Convertible Note fund raising and 4.0% capital raising fee on funds raised by Grange Capital.

A summary of the total fees paid to Grange Consulting and Grange Capital Partners for the year ended 30 June 2016 and 30 June 2015 is as follows:

	30 June 2016 $	30 June 2015 $
Company secretarial services	19,825	25,200
Capital raising fee	6,300	-
Total	26,125	25,200
1. Amounts payable to Grange Consulting and Grange Capital as at 30 June 2016 were $15,625 (GST Exc.)		

The Company also engaged Grange Consulting to provide corporate advisory and transaction management services in respect to the Offers under its IPO Prospectus. Grange Consulting's fees from the Company for these services were:

- a $75,000 (plus GST) transaction management fee;
- $50,000 (plus GST) success fee payable on successful admission of the Company to the Official List of the ASX; and
- Grange Consulting or its nominees has the right to apply for and/or with Grange Capital allocate up to 2,500,000 Prospectus Options under the Option Offer in the IPO Prospectus.

The above mentioned corporate advisory fees were not paid during the current financial year.

Following the Company's admission to ASX in August 2016 it was agreed that Grange Consulting would continue to provide company secretarial services and will also provide financial management services to the Company and will receive $7,500 (plus GST) per month. An administration fee of 5% is also payable on each invoice. This engagement can be terminated by either party giving 60 days notice in writing.

*********** **END OF AUDITED REMUNERATION REPORT** ***********

Signed in accordance with a resolution of the Directors.

Mr Tim Levy
Managing Director
29 September 2016

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Family Zone Cyber Safety Limited

In relation to the independent audit for the year ended 30 June 2016, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of any applicable code of professional conduct.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

Paul Mulligan

PAUL MULLIGAN
Executive Director
Perth, 29 September 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	2016 $	2015 Restated * $
Revenue	4	5,532	-
Other Income	4	438,590	97,860
Administration		(577,061)	(35,885)
Impairment of intangible assets		(690,041)	-
Employee and director benefits expense	5	(559,725)	(30,000)
Finance costs		(27)	(6,391)
Marketing expenses	6	(7,685)	(15,683)
Research & development expenses		(908,855)	(541,943)
Share based payment expense		(512,141)	-
Depreciation & amortisation		(84,367)	(42,733)
Loss before income tax		**(2,895,780)**	**(574,775)**
Income tax benefit/(expense)	7	80,173	(80,173)
Loss after tax for the period attributable to the members of Family Zone Cyber Safety		**(2,815,607)**	**(654,948)**
Other comprehensive income		-	-
Total comprehensive (loss) for the period attributable to the members of Family Zone Cyber Safety		**(2,815,607)**	**(654,948)**
Basic and diluted loss per share (cents per share) for the year attributed to the members of Family Zone Cyber Safety	8	(11.71)	(2.66)

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

* See Note 28 for details regarding the restatement as a result of this error.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	2016 $	Restated 2015 $	2015 $
ASSETS				
Current Assets				
Cash and cash equivalents	9	720,227	78,721	78,721
Trade and other receivables		41,427	37,746	-
Inventory	10	216,029	118,909	118,909
Total Current Assets		**977,683**	**235,376**	**197,630**
Non-Current Assets				
Intangibles	11	380,146	884,801	884,801
Plant and equipment	12	6,852	-	-
Total Non-current Assets		**386,998**	**884,801**	**884,801**
TOTAL ASSETS		**1,364,681**	**1,120,177**	**1,082,431**
LIABILITIES				
Current Liabilities				
Trade and other payables	13	538,630	555,793	354,568
Borrowings	14	1,430,000	-	-
Total Current Liabilities		**1,968,630**	**555,793**	**354,568**
Non-current Liabilities				
Deferred tax	7	-	80,173	-
Total Non-current Liabilities		**-**	**80,173**	**-**
TOTAL LIABILITIES		**1,968,630**	**635,996**	**354,568**
NET ASSETS/(LIABILITIES)		**(603,949)**	**484,211**	**727,863**
EQUITY				
Issued capital	15	1,433,717	1,311,618	1,465,596
Reserves	16	1,605,348	-	-
Accumulated losses	17	(3,643,014)	(827,407)	(737,733)
TOTAL EQUITY/(DEFICIT)		**(603,949)**	**484,211**	**727,863**

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES OF EQUITY

For the year ended 30 June 2016

	Issued Capital	Option Reserve	Accumulated Losses	Total
	$		$	$
Balance at 1 July 2014	**1**	**-**	**(172,459)**	**(172,459)**
Loss for the year *	-	-	(654,948)	(654,948)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(654,948)**	**(654,948)**
Transaction with owners, directly recorded in equity:				
Issue of Ordinary Shares, net of transaction costs	1,311,617	-	-	1,311,617
Total transactions with owners	1,311,617	-	-	1,311,617
Balance at 30 June 2015	**1,311,618**	**-**	**(827,407)**	**484,211**

* See Note 28 for details regarding the restatement as a result of this error.

	Issued Capital	Option & Performance Reserve	Accumulated Losses	Total
	$		$	$
Balance at 1 July 2015	**1,311,618**	**-**	**(827,407)**	**484,211**
Loss for the year	-	-	(2,815,607)	(2,815,607)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(2,815,607)**	**(2,815,607)**
Transaction with owners, directly recorded in equity:				
Issue of Ordinary Shares, net of transaction costs	1,317,306	-	-	1,317,306
Issue of Options	-	410,141	-	410,141
Share buy-back	(1,195,207)	-		(1,195,207)
Issue of performance rights	-	1,195,207	-	1,195,207)
Total transactions with owners	122,099	1,605,348	-	1,727,447
Balance at 30 June 2016	**1,433,717**	**1,605,348**	**(3,643,014)**	**(603,949)**

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Receipt from Customers		6,086	-
Government grants received		437,612	97,860
Payments to suppliers and employees		(1,592,709)	(1,154,878)
Interest received		978	-
Interest paid		(27)	(6,391)
Net cash flows (used in) operating activities	19	**(1,148,060)**	**(1,063,409)**
Cash flows from investing activities			
Purchase of plant & equipment		(7,241)	-
Payments for intangible assets		(200,164)	(392,513)
Net cash flows (used in)/from investing activities		**(207,405)**	**(392,513)**
Cash flows from financing activities			
Proceeds from issue of shares		568,971	1,051,456
Proceeds from issue of convertible notes		1,430,000	-
Proceeds received for shares not yet issued		-	348,334
Net cash flows from financing activities		**1,996,971**	**1,399,790**
Net increase/(decrease) in cash and cash equivalents		641,506	(56,131)
Cash and cash equivalents at beginning year		78,721	134,852
Cash and cash equivalents at end year	9	**720,227**	**78,721**

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 1: REPORTING ENTITY

Family Zone Cyber Safety Limited is a listed public Company incorporated and domiciled in Australia. The financial statements of the Company are as at and for the year ended 30 June 2016.

A description of the nature of the Company's operations and its principal activities is included in the Directors' Report which does not form part of this financial report.

The financial statements were authorised by the Board of Directors on the date of signing the Directors' Declaration.

NOTE 2: BASIS OF PREPARATION

This General Purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Interpretations) and the *Corporations Act 2001*.

The Financial Statements and Notes of the Company comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Financial Statements and Notes comply with International Financial Reporting Standards.

Family Zone Cyber Safety Ltd is a Company limited by shares. The financial report is presented in Australian currency. Family Zone Cyber Safety Ltd is a for-profit entity.

(a) Going Concern

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Statement of Comprehensive Income shows that the Company incurred a net loss of $2,895,780 during the year ended 30 June 2016 (2015: loss of $574,775). The statement of Financial Position shows that the Company had cash and cash equivalents of $720,227 (2015: $78,721).

The ability of the Company to continue as a going concern is dependent on it being able to successfully raise further debt or capital funding. Subsequent to year end the Company lodged an initial public offering Prospectus date 12 July 2016 and Supplementary Prospectus dated 26 July 2016 with the ASX and the ASIC for the issue of up to 30,000,000 Shares at an issue price of $0.20 to raise $6,000,000 as well as an offer of 7,500,000 Options at an issue price of $0.005 to raise a further $37,500. The offers were closed heavily oversubscribed with the Company raising $6,037,500 and being admitted to official quotation on 29 August 2016.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

(b) Use of Estimates and Judgements

Significant Judgements and Key Assumptions

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Share Based Payments

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted using a Black-Scholes option pricing model.

Research and Development Assets

The Company's accounting policy for capitalised development expenditure is set out in Note 3(h). The application of this policy necessarily requires management to make certain estimates and assumptions as to the future events and circumstances of the Company. Any such estimate and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, it is concluded that the expenditures relate to aspects of the asset no longer utilised, or it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the profit or loss.

Impairment of assets

In determining the recoverable amount of assets, in the absences of quoted market prices, estimations are made regarding the present value of future cash flows using asset specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(a) Revenue Recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest Revenue
Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

(b) Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(c) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the Company.

A financial liability is removed from the Statement of Financial Position when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets not measured at fair value comprise:

(i) loans and receivables with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method.

All financial liabilities are measured at amortised cost using the effective interest rate method. The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or un-collectability.

(f) Trade and Other Receivables

Trade accounts and other receivables represent the principal amounts due at reporting date less, where applicable, any allowances for doubtful accounts.

(g) Inventories

Finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable. If any such indication exists and where the carrying amount values exceeds the estimated recoverable amount the assets are written down to the recoverable amounts.

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10% - 40%

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Research & Development Expense

The Company expenses all research and development costs as incurred. The amounts incurred in relation to patent development costs and patent applications are expensed until the Company has received formal notification that a patent has been granted. The Company believes expensing patent development and application costs provides the most relevant and reliable information to financial statement users. The Company will only record a development asset when there is certainty that the Company will be able to patent the technology it has created, as demonstrated by the approval of the patent application and as a result expect future economic benefits to flow to the Company.

Following initial recognition of development expenditure as a development asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit, which will normally be the useful life of the patent. Amortisation is recorded in other expenses and is currently undertaken at a rate of 8% - 40% depending on the nature of costs capitalised.

During the period of development, the asset is tested for impairment annually.

(j) Impairment of Assets

At each reporting date, the Company reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets should be impaired. If such indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(k) Trade and Other Payables

Trade accounts and other payables and accrued liabilities represent the principal amounts outstanding at reporting date plus, where applicable, any accrued interest.

(l) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(m) Employee Benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee Benefits (Continued)

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur

Contributions are made by the Company to employee's superannuation funds. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

(n) Share-Based Payment Arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted using a Black-Scholes option pricing model.

(o) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Earnings per Share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Segment Reporting

An operating segment is a component of an Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Company), whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The Company aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted. Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

(r) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(s) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.
Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) New Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been early adopted by the Company for the annual reporting period ended 30 June 2015. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Company will adopt this standard from 1 July 2018 but the impact of its adoption is assessed by the Company to be insignificant.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an Company will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, a Company would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

AASB 15 Revenue from Contracts with Customers (Continued)

Contracts with customers will be presented in the Company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Company will adopt this standard from 1 July 2018 but the impact of its adoption is assessed by the Company to be insignificant as all sales are made in advance

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) New Accounting Standards and Interpretations (Continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Company will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Company.

NOTE 4: REVENUE AND OTHER INCOME

	2016 $	2015 $
Revenue		
Service revenue	840	-
Hardware revenue	4,692	-
	5,532	**-**
Interest and other income		
Interest revenue	978	2,663
Other	569	-
	1,547	**2,663**
Government Grant		
Research and Development Grant	367,942	95,197
Export Assistance Grant	69,099	-
	437,042	**95,197**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 5: LOSS

Loss before income tax has been determined after charging the following expenses:

	2016 $	2015 $
Directors' fees	40,000	30,000
Director consulting costs (1)	300,000	-
Employee wages	206,074	-
Superannuation	13,651	-
Total employee and director benefits expense	**559,725**	**30,000**

(1) Relates to Mr Crispin Swan for consulting services provided. These services have been provided on an arm's length basis with commercial terms no more favourable than those that the Company would have transacted with other parties for similar services provided.

NOTE 6: MARKETING EXPENSES

	2016 $	2015 $
Sales and Marketing		
Domain licenses	7,685	15,683
	7,685	**15,683**

NOTE 7: INCOME TAX

	2016 $	2015 $
(a) The major components of income tax expense / (benefit) comprise of:		
Current tax benefit	-	-
Deferred tax benefit	(80,173)	80,173
	(80,173)	**80,173**
(b) Reconciliation of prima facie tax on continuing operations to income tax expense / (benefit):		
Profit / (loss) before tax for the year	(2,895,780)	(574,775)
Tax benefit @ 30% tax rate (Australia)	(868,734)	(172,432)
Adjustments for:		
Entertainment	83	-
Share based payments	153,642	-
R&D tax incentive classified as income	(110,383)	(28,559)
Non-deductible R&D expenditure	-	88,310
Tax losses not recognised	825,391	112,681
Income tax expense attributable to profit	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 7: INCOME TAX (CONTINUED)

		2016 $	2015 $
(c)	**Deferred taxes**		
	Deferred tax asset:		
	Tax losses	690,886	172,432
	Provisions & Accruals	79,790	-
	Capital & Business related costs	32,538	-
	Offset against deferred tax liability / not recognised	(803,213)	(172,432)
	Deferred tax liability:		
	Intangible assets	(103,813)	(252,640)
	Offset against deferred tax assets / not recognised	103,813	172,467
	Net deferred tax asset / (liability)	**-**	**(80,173)**
		-	**(80,173)**

		2016 $	2015 $
(d)	**Deferred tax assets / liabilities included in income tax expense**		
	Decrease / (increase) in deferred tax assets	(628,746)	-
	(Decrease) / increase in deferred tax liabilities	(231,000)	80,173
	Adjust for recognition/offset of DTA/DTL	779,573	-
		(80,173)	**80,173**

		2016 $	2015 $
(e)	**Deferred tax assets / liabilities not brought to account**		
	Temporary differences	8,514	-
	Operating tax losses	690,886	-
		699,400	**-**

The tax benefits of the above deferred tax assets will only be obtained if:

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- the company continues to comply with the conditions for deductibility imposed by law; and
- no changes in income tax legislation adversely affect the company in utilising the benefits.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 8: LOSS PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income or loss and share data used in the total operations basic and diluted earnings per share computations:

	2016 $	2015 $
Loss used in the calculation of basic and diluted loss per share	(2,815,607)	(654,948)
Basic earnings/(loss) per share attributable to equity holders (cents Per Share)	(11.71)	(2.66)
	Number	**Number**
Weighted average number of ordinary shares outstanding	38,661,941	39,224,628
Adjustments for calculation of basic and diluted earnings per share:		
Share consolidation on a 1:1.914 basis	(14,623,557)	(14,623,557)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	**24,038,384**	**24,601,071**

Options outstanding during the year have not been taken into account in the calculation of the weighted average number of ordinary shares as they are considered anti-dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTE 9: CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Cash at bank	720,227	78,721
Total Cash and Cash Equivalents	**720,227**	**78,721**

Cash at bank earns interest at floating rates based on daily bank rates. Refer to note 24 on financial instruments for details on the Company's exposure to risk in respect of its cash balance.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 10: INVENTORY

	2016 $	2015 $
Current:		
At net realisable value:		
Finished goods	216,029	118,909
Total Inventory	**216,029**	**118,909**

NOTE 11: INTANGIBLES

	2016 $	2015 $
Development expenses – at cost	1,170,348	929,427
Less: Accumulated amortisation and impairment	(790,202)	(44,626)
	380,146	**884,801**

a) Reconciliation of movements in intangible assets

	Research & Development $
Balance at 1 July 2014	-
Additions	929,427
Amortisation expense	(44,626)
Balance at 30 June 2015	**884,801**
Additions	240,921
Impairment expense	(661,598)
Amortisation expense	(83,978)
Balance at 30 June 2016	**380,146**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	2016 $	2015 $
Plant and Equipment – at cost	7,241	-
Less: Accumulated Depreciation	(389)	-
	6,852	**-**

a) Reconciliation of movements in plant and equipment.

	Plant and equipment $	Total $
Balance at 1 July 2014	-	-
Additions	-	-
Depreciation expense	-	-
Balance at 30 June 2015	**-**	**-**
Additions	7,241	7,241
Depreciation expense	(389)	(389)
Balance at 30 June 2016	**6,852**	**6,852**

NOTE 13: TRADE AND OTHER PAYABLES

	2016 $	2015 $
Current:		
Trade payables (1)	225,195	207,459
Accruals	313,435	-
Share monies received in advance (2)	-	348,334
Total Trade and Other Payables	**538,630**	**555,793**

Trade payables are non-interest bearing and are normally settled on 30-day terms.

(1) – Included within trade payables is $44,483 payable to Mr Timothy Levy as a result of payments made on behalf of the Company. Refer to Note 25 (b): Loans with Key Management Personnel for further details.

(2) – relates to share monies which were received in the prior year for shares issued during financial year 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 13: BORROWINGS

	2016 $	2015 $
Current:		
Convertible notes	1,430,000	-
Total Borrowings	**581,729**	**555,793**

In order to meet its short term working capital needs, the Company issued 1,430,000 Convertible notes with a face value of $1.00 each during the months of March 2016 – June 2016. The notes are interest free for a period of 6 months and a maturity date of 18 months from their date of issue.

Interest on the Convertible notes accrues 6 months after their issue at a rate of 10% p.a.

Subsequent to year end, the Company completed its initial public offering and was admitted for Official Quotation on the ASX on 29 August 2016. All convertible notes on issue were converted into 13,758,927 shares and 2,593,750 attaching options.

NOTE 15: ISSUED CAPITAL

	2016 Number of Shares	2015 Number of Shares
Issued Ordinary Shares - no par value (fully paid)	16,000,029	34,913,488
Total	16,000,029	34,913,488

	Number of Shares	$ Value
Opening balance – 1 July 2014	**1**	**1**
Issue of 30,879,587 shares on 11th August 2014	30,879,587	883,265
Issue of 1,421,293 shares on 15th September 2014	1,421,293	120,810
Issue of 1,640,833 shares on 8th October 2014	1,640,833	139,471
Issue of 295,211 shares on 19th March 2015	295,211	59,042
Issue of 102,375 shares on 26th March 2015	102,375	20,475
Issue of 574,188 shares on 27th June 2015	574,188	114,838
Cost of shares issued	-	(26,284)
Closing balance – 30 June 2015	**34,913,488**	**1,311,618**
Issue of 7,474,361 shares on 13th January 2016	7,474,361	574,371
Issue of 5,825,390 shares on 5th May 2016	5,825,390	750,078
Issue of 800,000 shares on 11th May 2016	800,000	80,000
Selective share buy back on 16th June 2016	(18,389,653)	(1,195,207)
Consolidation on a 1:1.914 basis on 16th June 2016	(14,623,557)	-
Costs of shares issued	-	(87,143)
Closing balance – 30 June 2016	**16,000,029**	**1,433,717**

The Company has unlimited authorised capital.
There are no restrictions on distributions of dividends or repayment of capital.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 15: ISSUED CAPITAL (CONTINUED)

Capital Management

When managing capital, the Board's objective is to ensure the Company continues as a going concern as well as to maximise the returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the Company.

The Board is constantly reviewing the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Board may issue new shares, return capital to shareholders or sell assets to reduce debt.

The Company was not subject to any externally imposed capital requirements during the year.

NOTE 16: RESERVES

	2016	2015
	$	$
Performance Shares	1,195,207	-
Options	410,141	-
Total Reserves	1,605,348	-

Issued Options	2016	2015
	No.	$
Opening balance – 1 July 2014	-	-
Closing balance – 30 June 2015	**-**	**-**
20 May 2016 – Issue of incentive options	4,000,000	410,141
Closing balance – 30 June 2016	**17,974,709**	**410,141**

Performance shares	2016	2015
	No.	$
Opening balance – 1 July 2014	-	-
Closing balance – 30 June 2015	**-**	**-**
16 June 2016 – Issue of performance shares	28,000,000	
Closing balance – 30 June 2016	**28,000,000**	**1,195,207**

Nature and Purpose of Reserve
The share based payment reserve records the value of options and performance shares issued to the Company's directors, employees, and third parties. The value of the amount disclosed during the year 2016 reflects the value of options and performance shares issued by the Company.

NOTE 17: ACCUMULATED LOSSES

	2016 $	2015 Restated * $
Accumulated Losses	(3,643,014)	(172,459)
Opening balance	(747,234)	(172,459)
Net loss for the financial year	(2,890,780)	(574,775)
Total Accumulated Losses	**(3,643,014)**	**(747,234)**

* See Note 28 for details regarding the restatement as a result of this error

NOTE 19: OPERATING CASH FLOW INFORMATION

	2016 $	2015 $
Reconciliation of cash flow from operations with loss after income tax		
Loss for the year	(2,815,607)	(654,948)
Non-cash items		
Impairment	690,041	-
Share based payments	817,480	-
Depreciation	84,367	42,733
Changes in Assets and Liabilities		
Increase / (Decrease) in Trade and Other Payables	285,076	(393,744)
(Increase)/ Decrease in Inventory	(125,563)	(118,909)
(Increase)/ Decrease in Trade and Other Receivables	(3,681)	(18,714)
Increase)/ (Decrease) in income tax payable	(80,173)	80,173
Cash flows used in operations	**(1,148,060)**	**(1,063,409)**

NOTE 20: AUDITOR'S REMUNERATION

	2016 $	2015 $
The auditor of Family Zone Cyber Safety Limited		
Amounts received or due and receivable by Pitcher Partners for:		
Pitcher Partners BA&A Pty Ltd - Audit and review services	16,000	-
Non-audit services – Investigating Accountants Report	15,000	-
Pitcher Partners (WA) Pty Ltd – Taxation	2,000	
Total remuneration of Pitcher Partners BA&A Pty Ltd and related firms	33,000	-
Other auditors		
Amounts received or due and receivable by DM Advisory for:		
Audit and review services	10,550	3,960
Total auditors' remuneration	42,50	3,960

NOTE 21: SHARE BASED PAYMENTS

Share based payments made during the year ended 30 June 2016 are summarised below.

(a) Recognised Share Based Payment Expense

	2016 $	2015 $
Incentive options issued during the year (b)	410,141	-
Shares issued to consultants in lieu of services provided (1)	349,449	205,598
Shares issued to employees as incentive (2)	90,000	-
	849,590	205,598

(1) – The Company issued 888,058 shares (2015: 576,827) on a post share-consolidation basis to various consultants as payment for services they provided during the year. The value assigned to these payments has been made with reference to the fair value of their services provided or in comparison to recent capital raising activities and issue price at the time of their settlement.

(2) – 470,217 shares on a post consolidation basis were provided to employees of the Company under the Employee incentive scheme in place at the time. The fair value assigned to these shares has been made with reference to the Company's recent capital raising activities at the time of the issue.

(b) Options Granted During the Year

The Company granted the following incentive options to Directors and Consultants in the year ended 30 June 2016:

Tranche	Number of Options Issued	Issue Date	Vesting Date	Expiry Date	Exercise Price	Total Value	Recipient
A	4,000,000	20 May 2016	20 May 2016	20 May 2019	$0.25	$410,141(1)	Directors & consultants

(1) As the options were issued prior to listing, the Company determined the most appropriate value using the Black Scholes Model

Number of Options		4,000,000
Underlying share price	$	0.20
Exercise price	$	0.25
Expected volatility		90%
Expiry date (years)		2.85
Expected dividends		Nil
Risk free rate		1.63%
Value per option	$	0.1025

These incentive options were issued for services provided and pursuant to the Director appointments. Refer to section E of the Remuneration Report for details of incentive options issued to Directors. Further details can be found within the Company's Prospectus dated 12 July 2016.

NOTE 23: SEGMENT INFORMATION

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company. The Board reviews the Company's primary business segment being the development of the Cyber Safe Technology (Box Services) separately from its corporate undertakings (Corporate). The Company therefore operates in two segments being Box services & Corporate.

	Box Services		Corporate		Total	
	2016	2015	2016	2015	2016	2015
Segment income						
Sales Revenue	5,532	-	-	-	5,532	-
Other income	-	-	438,590	97,860	438,590	97,860
Total income	5,532	-	438,590	97,860	444,122	97,860
Segment expenses						
Impairment of intangibles	(690,041)	-	-	-	(690,041)	-
Operating expenses	-	-	(577,061)	(35,885)	(590,067)	(35,885)
Employee expenses	-	-	(559,725)	(30,000)	(546,139)	(30,000)
Marketing	(7,685)	(15,683)	-	-	(7,685)	(15,683)
Research & Development	(908,855)	(541,943)	-	-	(908,855)	(541,943)
Other	-	-	(27)	(6,391)	(27)	(6,391)
Share based payment expenses	-	-	(512,141)	-	(512,141)	-
Loss before depreciation	(1,601,049)	(548,127)	(1,210,364)	25,584	(2,811,413)	(532,042)
Depreciation	(84,367)	(42,733)	-	-	(84,367)	(42,733)
Loss before income tax	(1,685,416)	(590,860)	(1,210,364)	25,584	(2,895,780)	(574,775)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 23: SEGMENT INFORMATION (CONTINUED)

	Box Services		Corporate		Total	
	2016	2015	2016	2015	2016	2015
Segment assets and liabilities						
Cash	-	-	720,227	78,721	720,227	78,721
Trade and other receivables	-	-	41,427	37,746	41,427	37,746
Inventory	216,029	118,909	-	-	216,029	118,909
Plant and equipment	-	-	6,851	-	6,851	-
Trade and other creditors	-	-	(538,631)	(555,793)	(538,631)	(555,793)
Deferred taxes	-	-	-	(80,173)	-	(80,173)
Intangibles	380,145	884,801	-	-	380,145	884,801
Borrowings	-	-	(1,430,000)	-	(1,430,000)	-
Net assets	596,174	1,003,710	(1,200,126)	(519,499)	(603,952)	484,211

NOTE 24: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, receivables, and payables.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified.

The Company manages its exposure to key financial risks, including interest rate, credit and liquidity risks in accordance with the Company's risk management policy. The primary objective of the policy is to reduce the volatility of cash flows and asset values arising from such movements.

The Company uses different methods to measure and manage the different types of risks to which it is exposed. These include monitoring the levels of exposure to interest rate risk, ageing analysis and monitoring of credit allowances to manage credit risk and the use of future cash flow forecasts to monitor liquidity risk.

(b) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

(c) Categorisation of Financial Instruments

Details of each category in accordance with Australian Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement*, are disclosed either on the face of the Statement of Financial Position or in the notes.

(d) Credit Risk

(i) Exposure to Credit Risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	2016 $	2015 $
Financial Assets - Current		
Cash and cash equivalents	720,227	78,721
Total Financial Assets	**720,227**	**78,721**

Financial assets as at 30 June 2016 are neither past due nor impaired.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Interest Rate Risk

The Company's maximum exposure to interest rates at the reporting date was:

	Range of Effective Interest Rate (%)	Carrying Amount $	Interest Rate Exposure			
			Variable Interest Rate $	Non Interest Bearing $	Fixed Interest Rate $	Total $
2016						
Financial Assets - Current						
Cash and cash equivalents	0 – 1	720,227	-	-	720,227	720,227
2015						
Financial Assets - Current						
Cash and cash equivalents	0 – 1	78,721	-	-	78,721	78,721

(e) Fair value of Financial Instruments

The directors consider the carrying amount of the Company's financial instruments to be a reasonable approximation of their fair value, on account of their short maturity cycle.

(f) Liquidity Risk

(i) Exposure to Liquidity Risk

The carrying amount of the Company's financial liabilities represents the maximum liquidity risk. The Company's maximum exposure to liquidity risk at the reporting date was:

	2016 $	2015 $
Financial Liabilities - Current		
Trade and other payables	581,729	702,902
Borrowings	1,430,000	-
Total Financial Liabilities	**1,955,044**	**702,902**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Contractual Maturity Risk

The following table discloses the contractual maturity analysis at the reporting date:

2016

Financial Instrument	0-6 months $	6-12 months $	Over 1 to 5 years $	More than 5 years $	Total $
Financial Assets					
Cash	720,227	-	-	-	720,227
Trade and other receivables	41,427	-	-	-	41,427
Total financial assets	761,654	-	-	-	761,654
Financial Liabilities					
Trade and other payables	538,631	-	-	-	538,631
Borrowings	1,430,000	-	-	-	1,430,000
Total financial liabilities	1,968,631	-	-	-	1,968,631

2015

Financial Instrument	0-6 months $	6-12 months $	Over 1 to 5 years $	More than 5 years $	Total $
Financial Assets					
Cash	78,721	-	-	-	78,721
Trade and other receivables	37,746	-	-	-	37,746
Total financial assets	116,467	-	-	-	116,467
Financial Liabilities					
Trade payables	212,798	-	-	-	212,798
Other payables	348,334	-	-	-	348,334
Total financial liabilities	561,132	-	-	-	561,132

The Board notes a shortfall in cash to meet the obligation of the financial liabilities over the next 12 months. Subsequent to year end, the Company completed a capital raising of over $6,000,000. Refer to Note 2(a): Going Concern for further details.

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(g) Market Risk

(i) Currency Risk

The Company's primary operations were in Australia during the years ended 30 June 2016 and 30 June 2015 and therefore had minimal exposure to foreign exchange risk.

(ii) Interest Rate Risk

The Company's only exposure to interest rate risk is Cash as set out in Note 24(e)(ii). The Company is not exposed to debt interest rate risk as there is nil debt for 2016 (2015: no exposure as borrowings bear interest at a fixed rate).

(iii) Other Price Risk

By virtue of the nature and classification of the financial instruments held by the entity, it is not exposed to significant other price risk.

(iv) Sensitivity Disclosure Analysis

Taking into account past performance, future expectations and economic forecasts, the Company believes the following movements are 'reasonably possible' over the next 12 months (base rates are sourced from the Reserve Bank of Australia).

It is considered that 100 basis points is a 'reasonably possible' estimate of potential variations in the interest rate.

The following table discloses the impact on net operating result and equity for each category of financial instrument held by the Company at year end as presented to key management personnel, if changes in the relevant risk occur.

		Interest Rate Risk			
	Carrying	+1%		-1%	
	Amount	Profit	Equity	Profit	Equity
2016	$	$	$	$	$
Financial Assets - Current					
Cash and cash equivalents	720,227	7,202	7,202	(7,202)	(7,202)
2015					
Financial Assets - Current					
Cash and cash equivalents	78,721	787	787	(787)	(787)

NOTE 25: RELATED PARTY TRANSACTIONS

(a) Key Management Personnel Compensation

Information on remuneration of all Directors and Key Management Personnel is contained in the Remuneration Report within the Directors' Report.

The aggregated compensation paid to Directors and Key Management Personnel of the Company is as follows:

	2016 $	2015 $
Short-term employee benefits	40,000	30,000
Post-employment benefits	-	-
Share Based Payment	658,750	-
Total	**698,750**	**30,000**

(b) Loans with Key Management Personnel

(Mr Tim Levy – Managing Director)

A loan balance has arisen between Family Zone Cyber Safety Limited and Mr Tim Levy as a result of payments made on behalf of the Company by the Director. Movements in the loan account during the year are as follows:

	2016 $	2015 $
Opening balance payable by the Company	-	-
Loans received from director	(67,143)	-
Cash repayments	23,000	-
Total Payable to the Company	**(44,483)**	**-**

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Other Transactions with Key Management Personnel

a) Grange Consulting and Grange Capital Partners

Mr Phil Warren, a Director of the Company, is also a director of Grange Consulting and an entity related to him is shareholder of Grange Consulting. Grange Capital is an entity associated with Grange Consulting.

Grange Consulting was engaged by the Company in June 2014 to provide company secretarial services. Pursuant to this engagement Grange Consulting received $2,000 (plus GST) per month for these services. An administration fee of 5% is also payable on each invoice. This engagement can be terminated by either party giving 60 days' notice in writing.

Grange Capital also received capital raising fees from the Company for assisting in its Convertible Note capital raising during the financial year. Grange Capital received a 0.05% management fee for the Convertible Note fund raising and 4.0% capital raising fee on funds raised by Grange Capital.

A summary of the total fees paid to Grange Consulting and Grange Capital Partners for the year ended 30 June 2016 and 30 June 2015 is as follows:

	30 June 2016 $	30 June 2015 $
Company secretarial services	19,825	25,200
Capital raising fee	6,300	-
Total	26,125	25,200
1. Amounts payable to Grange Consulting and Grange Capital as at 30 June 2016 were $15,625 (GST Exc.)		

The Company also engaged Grange Consulting to provide corporate advisory and transaction management services in respect to the Offers under this Prospectus. Grange Consulting will receive the following fees from the Company for these services:

- a $75,000 (plus GST) transaction management fee; and
- $50,000 (plus GST) success fee payable on successful admission of the Company to the Official List of the ASX.

Grange Consulting or its nominees has the right to apply for and/or with Grange Capital allocate up to 2,500,000 Prospectus Options under the Option Offer.

The above mentioned corporate advisory fees were not paid during the current financial year.

Following the Company's admission to ASX in August 2016 it was agreed that Grange Consulting would continue to provide company secretarial services and will also provide financial management services to the Company and will receive $7,500 (plus GST) per month. An administration fee of 5% is also payable on each invoice. This engagement can be terminated by either party giving 60 days notice in writing.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 26: EVENTS OCCURRING AFTER THE REPORTING PERIOD

Following the end of the financial year the Company lodged and an initial public offering Prospectus dated 12 July 2016 and Supplementary Prospectus dated 26 July 2016 with ASX and ASIC for the issue of up to 30,000,000 Shares at an issue price of $0.20 to raise $6,000,000 as well as an offer of 7,500,000 Options (with an exercise price of $0.25 and expiry date of 29 August 2019) at an issue price of $0.005 to raise a further $37,500 (together **Offers**). The Offers were closed heavily oversubscribed with the Company raising $6,037,500 and being admitted to the Official Quotation on ASX on 29 August 2016.

On completion of the Company's initial public offering on ASX, 1,430,000 Convertible Notes on issue at 30 June 2016 were converted into 13,758,927 Shares and 2,593,750 Attaching Options. The Company also issued 718,750 shares to Fidelio Partners in July 2016 pursuant to the Fidelio Agency Agreement following the receipt of a purchase order from a leading mobile carrier in South East Asia.

On 19th September 2016, the Company issued 3,880,958 Unlisted Options (exercise price of $0.33, expiry 19 September 2019) to employees of the Company pursuant to the Company's Employee Share Option Plan.

- 25% of options will vest and become exercisable upon the Company having 20,000 paying subscribers registered by 31 December 2017.
- 25% of options will vest and become exercisable upon the Company having 30,000 paying subscribers registered by 31 December 2017.
- 25% of options will vest and become exercisable upon the Company achieving $10,000,000 of customer revenue in any financial years ended 30 June 2017, 2018 or 2019.

Apart from the events discussed above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years

NOTE 27: CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities that may arise from the Company's operations as at 30 June 2016.

NOTE 28: RESTATEMENT OF COMPARATIVES

Correction of Errors
Issued Capital – Year ending 30 June 2015

The financial statement for the year ended 30 June 2015 included issued capital for shares that were at that date unissued. The monies received in advance should have been classified as another payable balance.

The financial statement for the year ended 30 June 2015 also did not take into account the deferred tax position of the entity.

The effect of this error on the comparative period is as follows:

- As at 30 June 2015, the issued capital of the Company was overstated by $153,978.
- As at 30 June 2015, the current liabilities balance of the Company was understated by $201,225.
- As at 30 June 2015, the current assets balance of the Company was understated by $37,746.
- As at 30 June 2015, the deferred tax liability of the Company was understated by $80,173
- For the year ended 30 June 2015, the loss for the year before tax was understated by $9,501
- For the year ended 30 June 2015, the loss for the year after tax was understated by $89,674
- Basic and Diluted Earnings Per Share as at 30 June 2015 has been restated from a loss per share of 2.30 cents to 2.66 cents.

The effect of this error on the financial period is reflected over page.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 28: RESTATEMENT OF COMPARATIVES (CONTINUED)

STATEMENT OF FINANCIAL POSITION - ADJUSTED
As at 30 June 2016

	Note	Restated 2015 $	Adjustment 2015 $	2015 $
ASSETS				
Current Assets				
Cash and cash equivalents	9	78,721	-	78,721
Trade & other receivables		37,746	37,746	-
Inventory	10	118,909	-	118,909
Total Current Assets		**235,376**	**37,746**	**197,630**
Non-Current Assets				
Intangibles	11	884,801	-	884,801
Plant and equipment	12	-	-	-
Total Non-current Assets		**884,801**	**-**	**884,801**
TOTAL ASSETS		**1,120,177**	**37,746**	**1,082,431**
LIABILITIES				
Current Liabilities				
Trade and other payables	13	555,793	201,225	354,568
Total Current Liabilities		**555,793**	**201,225**	**354,568**
Non-Current Liabilities				
Deferred tax		80,173	80,173	**-**
Total Non-current Liabilities		**80,173**	**80,173**	**-**
TOTAL LIABILITIES		**635,996**	**281,398**	**354,568**
NET ASSETS/(LIABILITIES)		**484,211**	**(243,652)**	**727,863**
EQUITY				
Issued capital	15	1,311,618	(153,978)	1,465,596
Reserves	16	-	-	-
Accumulated losses	17	(827,407)	(89,674)	(737,734)
TOTAL EQUITY/(DEFICIT)		**484,211**	**(243,652)**	**727,863**

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the accompanying financial statements set out on pages 23 to 54 and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001,* including:

i. giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the year ended on that date; and

ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2016.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors

29 September 2016

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FAMILY ZONE CYBER SAFETY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Family Zone Cyber Safety Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the company at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FAMILY ZONE CYBER SAFETY LIMITED

Opinion

In our opinion:

(a) the financial report of Family Zone Cyber Safety Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 21 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Family Zone Cyber Safety Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

PAUL MULLIGAN
Executive Director
Perth, 29 September 2016

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Listing Rules not disclosed elsewhere in this Annual Report is set out below.

1. Number of holders and voting rights of each class of equity securities

The issued capital of the Company as at 21 September 2016 includes the following securities:

Equity Class	Number of holders	Total on issue
Fully paid ordinary shares	558	61,977,706
Unlisted Incentive Options ($0.25,20 May 2019)	5	4,000,000
Unlisted Options ($0.25, 29 Aug 2019)	59	10,093,750
Unlisted Employee Options ($0.33, 19 Sept 2019)	23	3,880,958
Performance Shares	4	28,000,000

All issued fully paid ordinary shares (**Shares**) carry one vote per share. An Unlisted Option or Performance Share does not entitle the holder to vote on any resolution proposed at a general meeting of Shareholders.

2. Substantial holders in the Company

Substantial Shareholder	Number of Shares held	% of Total Shares
Timothy Nominees Pty Ltd	5,801,118	9.36%

3. Distribution of equity securities as at 21 September 2016

a) Fully paid ordinary shares

Holding Ranges	Holders	Total Shares	% Total Shares
1 - 1,000	2	660	0.00%
1,001 - 5,000	27	81,409	0.13%
5,001 - 10,000	36	344,220	0.56%
10,001 - 100,000	356	17,298,183	27.91%
100,001 - 9,999,999,999	118	44,253,234	71.40%
Totals	**539**	**61,977,706**	**100.00%**

There were 4 holders with less than a marketable parcel of Shares based on the closing share price of $0.31 on 21 September 2016.

b) Unlisted Incentive Options ($0.25, 20 May 2019)

Holding Ranges	Holders	Total Incentive Options	% Total Incentive Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	5	4,000,000	100.00%
Totals	**5**	**4,000,000**	**100.00%**

ASX ADDITIONAL INFORMATION

c) Unlisted Options ($0.25, 29 Aug 2019)

Holding Ranges	Holders	Total Options	% Total Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	2	15,626	0.15%
10,001 - 100,000	36	1,925,000	19.07%
100,001 - 9,999,999,999	21	8,153,125	80.77%
Totals	**59**	**10,093,751**	**100.00%**

d) Employee Options ($0.33, 19 Sept 2019)

Holding Ranges	Holders	Total Employee Options	% Total Employee Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	6	477,271	12.30%
100,001 - 9,999,999,999	17	3,403,687	87.70%
Totals	**23**	**3,880,958**	**100.00%**

4. Top 20 Shareholder as at 21 September 2016

	Shareholder Name	Number of Shares	% Total Shares
1	TIMOTHY NOMINEES PTY LTD <TIMOTHY FAMILY A/C>	5,801,118	9.36%
2	TRIGGER ASSETS PTY LTD <THE TRIGGER INVESTMENT A/C>	2,011,309	3.25%
3	FRESHIE PTY LTD <THE SWAN FAMILY A/C>	1,891,190	3.05%
4	NOVALANE COM PTY LTD <THE ROBINSON FAMILY A/C>	1,848,018	2.98%
5	RICHARD ARMSTRONG CALDOW <LOOSE GOOSE FAMILY A/C>	1,371,429	2.21%
6	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	1,092,492	1.76%
7	MCCUSKER HOLDINGS PTY LTD	1,000,000	1.61%
8	ICE COLD INVESTMENTS PTY LTD	992,289	1.60%
9	UBS NOMINEES PTY LTD	907,508	1.46%
10	GASMERE PTY LTD	900,000	1.45%
11	ACNS CAPITAL MARKETS PTY LTD	880,000	1.42%
12	SEVENTY THREE PTY LTD <KING SUPER FUND NO 3 A/C>	728,571	1.18%
13	FIDELIO PARTNERS PTE LTD	718,750	1.16%
14	THREE ZEBRAS PTY LTD <THE JUDD FAMILY A/C>	700,000	1.13%
15	SESTON GROUP PTY LTD <TANNER-BLACK INVESTMENT A/C>	614,674	0.99%
16	JAKANA PTY LTD <BATEMAN SUPER FUND A/C>	550,000	0.89%
17	TR NOMINEES PTY LTD	500,000	0.81%
17	BRESRIM NOMINESS PTY LTD <DA HANNES SF FUND NO 2 A/C>	500,000	0.81%
17	HAWTHORN GROVE INVESTMENTS PTY LTD	500,000	0.81%
17	SISU INTERNATIONAL PTY LTD	500,000	0.81%
17	SHADWICK NOMINEES PTY LTD <MICHAEL EDWARDS FAMILY A/C>	500,000	0.81%
18	YELWAC PTY LTD <THE CAWLEY SUPERFUND NO2 A/C>	457,730	0.74%
19	PERSHING AUSTRALIA NOMINEES PT Y LTD <ACCUM A/C>	430,390	0.69%

ASX ADDITIONAL INFORMATION

20	ALBATROSS PASS PTY LTD	420,956	0.68%
	TOTAL TOP 20 SHAREHOLDERS	**25,816,424**	**41.65%**
	TOTAL ISSUED CAPITAL	**61,977,706**	**100.00%**

5. Restricted Securities

The following securities as classified as restricted securities and are subject to escrow periods as outlined below

Security	12 months from date of issue	24 months from date of Quotation
Shares	4,652,141[1]	13,233,637
Incentive Options ($0.25, 20 May 2019)	-	4,000,000
Attaching Options ($0.25, 3 years from Quotation)	2,593,751	-
Prospectus Options ($0.25, 3 years from Quotation)	4,151,250	3,348,750
Total Options	**6,745,001**	**7,348,750**
Class A Performance Shares	-	9,333,334
Class B Performance Shares	-	9,333,333
Class C Performance Shares	-	9,333,333
Total Performance Shares	**-**	**28,000,000**

Note:
1. These Shares were issued to unrelated parties on conversion of the Company's Stage 1 Convertible Notes and are subject to ASX escrow for 12 months from the date of issue of the Stage 1 Convertible Notes.

6. Unquoted Securities

The names of the security holders holding more than 20% of an unlisted class of security are listed below:

a) Unlisted Incentive Options ($0.25, 20 May 2019)

Holder Name	Holding	% Total Incentive Options
John Sims <The Sims Family A/C>	1,500,000	37.50%
Total Incentive Options	**4,000,000**	**100.00%**

b) Performance Shares

Holder Name	Class A Performance Shares	Class B Performance Shares	Class C Performance Shares	Total Performance Shares	% of Total Performance Shares
Timothy Nominees Pty Ltd <Timothy Family A/C>	3,878,611	3,878,610	3,878,610	11,635,831	41.56%
Freshie Pty Ltd <The Swan Family A/C>	2,205,384	2,205,383	2,205,383	6,616,150	23.63%
Total				**28,000,000**	**100.00%**

7. On-market buy back

There is currently no on-market buyback program for any of the Company's listed securities.

CORPORATE GOVERNANCE

Corporate Governance Statement

The Company's corporate governance statement can be found at the following URL:

https://www.familyzone.com/hubfs/docs/Corporate_Governance_Statement_-Family_Zone_30_June_2016.pdf?t=1475120075817

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of Shareholders by whom they are elected and to whom they are accountable.

This statement outlines the main corporate governance practises in place throughout the financial year, which comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2014 Amendments 3rd edition unless otherwise stated.