



FAMILY ZONE CYBER SAFETY LIMITED

ACN 167 509 177

ANNUAL REPORT

for the year ended 30 June 2021



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CORPORATE INFORMATION

Directors

| | |
|-------------------|----------------------------|
| Tim Levy | Managing Director |
| Peter Pawlowitsch | Non-Executive Chairman |
| Crispin Swan | Executive Director - Sales |
| Phil Warren | Non-Executive Director |
| Matthew Stepka | 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 3, 45 St George Terrace
PERTH WA 6000
Telephone: 1300 398 326

Share register

Automic Registry Services
Level 5
126 Phillip Street
Sydney NSW 2000

Solicitors

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

Bankers:

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

Auditors:

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008
Telephone: +61 8 6382 4600

Securities Exchange Listing

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



CHAIRMAN'S MESSAGE

Dear shareholders

I am pleased to report on the activities of Family Zone Cyber Safety Limited (**Company**) and its controlled entities (**Family Zone** or the **Group**) for the financial year ended 30 June 2021, a year that placed our services in focus as changes weighed on educational institutions around the world.

One of the most recognisable flow-on consequences of the COVID-19 pandemic has been the great acceleration in how much of our work, education and social lives are carried out online. There is no doubt that the role technology played in allowing large sections of the economy to continue, and society to remain connected, through the public health measures offers a case study on the value of digitisation and the internet. However the resultant accelerated adoption brought to light for regulators, schools and parents the challenges of online safety.

Students have lived more of their lives online over the last two years than would have previously been seen as possible. This has highlighted the importance not only of cyber safety, but also the need to address the welfare challenges that follow for age groups so reliant on interpersonal contact for development.

It is in this context that our purpose comes into its own, and that we are able to direct our focus for continued growth to support institutions and their pupils as they evolve to fit a changing world.

Family Zone has entered a period of rapid development and change. This year we acquired classroom tech innovator NetRef and soon after the end of FY21 we also acquired Smoothwall. These acquisitions transform the Group into a world leader with some 330 staff located across Australia, the UK and the US, serving more than 18,000 schools and 9 million students. Greater scale will allow us to expand our offerings, particularly around data analytics and drive down unit costs.

Mission and values are considered fundamental at Family Zone and we're delighted that the NetRef and Smoothwall teams share our purpose. Our complementary platforms and culture create a unique and remarkable opportunity to make a global impact.

The Group delivered a number of milestones during FY21, with our growing US market presence front and centre. The number of licensed students at schools relying on our technology to ensure a safe digital environment reached the 3 million milestone by the end of the year, at which point 5,600 schools across the US, Australia and New Zealand had engaged Family Zone to access our cyber safety products and services. The Group's financial performance reflected the sales success. Revenue for the year grew to \$8.96 million, an increase of 76% on the prior year.

We completed a major digital infrastructure project in the year, which will form an important platform on which to deliver continued growth. Switching from Amazon Web Services to Google Cloud Platform required a great deal of concentration and cooperation from our technical staff and external providers. The migration between cloud service providers was completed in the second half without any interruptions to our clients' use of our services.

Family Zone is a technology business that supports organisations and households to establish and maintain a connected digital environment in which children can freely learn and engage with peers, institutions and information without any unwanted interactions. The successes of FY21 were the result of the dedication and commitment of our staff and executives at a time when the services we provide were particularly significant, and I would like to thank them for their service.

I would also like to thank our shareholders and my fellow board members for their support over the last year.

Peter Pawlowitsch
Chairman

REVIEW OF OPERATIONS

Operational results

Review of operations

HIGHLIGHTS

In the year ended 30 June 2021 the Group passed several milestones as part of its growth and operational objectives, including:

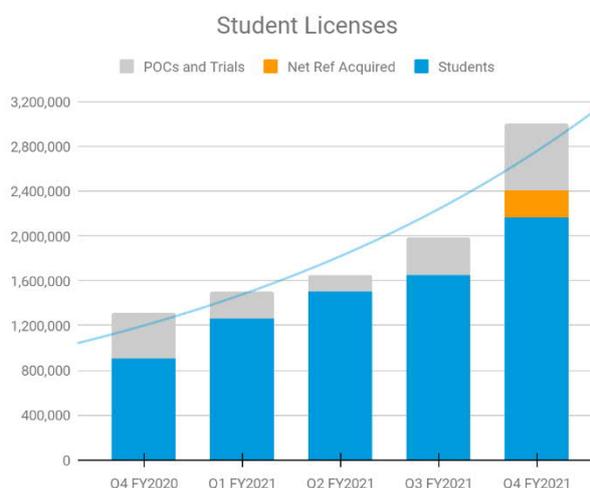
- Revenue from ordinary activities grew 76.1% to \$8.96 million;
- Revenue from the important US education market grew 266% delivering \$4.94 million;
- Innovative classroom management technology provider NetRef was acquired; and
- Completing migration of the Company's education platforms to Google Cloud materially improving platform performance and operating leverage.

BUSINESS DEVELOPMENT

Family Zone experienced a period of rapid growth in FY21, underlined by the Group's success in the strategically significant US market.

Early in the financial year the Group surpassed the 1 million student license milestone. By December this had reached 1.5 million students and by year-end it had doubled in licensed students again, reaching 3 million on the platform and servicing in excess of 5% of US school districts.

By the end of the year 5,600 schools across the US, Australia and New Zealand had engaged Family Zone to access our cyber safety products and services.



Revenue has grown in line with sales successes reaching \$8.96 million for the financial year, an increase of 76%. US sales revenue surpassed the Australian business in the period for the first time. Growth in the US education market delivered sales of approximately \$4.94 million, which marked a rapid increase of 2.6 times on FY20.

REVIEW OF OPERATIONS

TECHNOLOGY

Cloud services migration

During the period Family Zone migrated its cloud services from Amazon Web Services (AWS) to Google Cloud Platform (GCP). This was a major project because of the nature of our business and the extent to which it is conducted digitally. We rely on our cloud services partner to ensure the continuity and integrity of the products and services that we provide to customers in the public sector, as well as to parents as consumers.

The investment will deliver a long-term reduction in our direct costs and a sustainable competitive advantage.

M&A AND FUNDING ACTIVITIES

The Group raised approximately \$48.7 million through the sale of new shares in the period. The equity funding was to support organic and acquisitive growth opportunities.

Technology and operations growth funding

During the year the Group raised \$20 million from sophisticated and institutional investors through a share placement of 45.45 million new fully paid, ordinary shares at an issue price of \$0.44 per share. An accompanying share purchase plan was opened to all shareholders, raising a further \$2 million.

Funds raised were allocated to support the acceleration of growth in existing and new markets, focusing on the development of technology as well as our sales organisation. The uses of funds included expanding the Group's engineering teams and investing in operational systems.

NetRef acquisition

In June, Family Zone announced that it had agreed to purchase US classroom management technology provider NetRef from Verite Educational Services, LLC (Verite), a US-based boutique provider of custom software solutions operating across the education, government and private sectors. The acquisition formed part of the Group's strategic focus on the significant US market.

Verite was a relatively new entrant into the US K-12 online safety market with its innovative NetRef cloud managed classroom tool. In less than 12 months Verite had grown impressively to support in excess of 250,000 students.

The acquisition of NetRef provided Family Zone with access to a premium classroom management tool; access to engineering expertise in technology domains key to the Company's success; and additional experienced sales and support personnel.

Total consideration paid and payable for the acquisition was approximately \$5.97 million (US\$4.48 million). The NetRef business contributed to \$nil profit or loss to the Group for the year ended 30 June 2021.

To assist with acquisition funding and to support the continued growth of the Group, especially in the US, \$23 million in equity was raised from institutional, professional and sophisticated investors. The 42.99 million new fully-paid ordinary shares were issued on 1 July 2021 at a price of \$0.535 per share.

Smoothwall acquisition and capital raise

Subsequent to year end, Family Zone announced that it had entered a transformative agreement to acquire Smoothwall, UK's leading K-12 digital safety solutions provider.

Smoothwall's market-leading "Monitor" product is a key driver of growth and services the rapidly growing market for educational data, analytics and monitoring. The UK market opportunity for the product is significant following regulatory mandates in the jurisdiction, with the offering also significant to the Group's growth potential in the US.

REVIEW OF OPERATIONS

To support the funding requirement, Family Zone completed a capital raising of \$146.64 million, consisting of an entitlement offer and placements to sophisticated and institutional investors, as well as a retail entitlement offer. A shortfall of approximately 14.1 million new Shares (\$7.8 million) in the retail entitlement offer was allocated to the joint lead managers and underwriters in accordance with the terms of the Underwriting Agreement.

EXECUTIVE APPOINTMENT

Todd Morcombe was appointed chief financial officer (CFO) and commenced in the role on 17 May 2021. Mr Morcombe brings valuable experience to the executive team, including previous roles as CFO of private investment companies Wyllie Group and Cape Bouvard Investments and CFO of ASX-listed Little World Beverages.

He is a member of the Australian Society of Certified Practising Accountants and has a Graduate Diploma in Applied Finance and Investment Securities from FINSIA.

Financial results

The Group reported operating revenues of \$8.96 million for the current financial year representing a 76.1% increase from the prior year. The growth in revenue was driven by the US education business with sales being approximately \$4.94 million, representing an increase of 266% from the prior year.

The Company continued to invest in expanding the scale of its Platform to support the increasing number of users and scale of opportunities presented in the US education market as well as the development of new products and features. Family Zone's continued investment in R&D activities during the year, resulted in the Group accruing government R&D grant income of approximately \$3.45 million at year end.

During the year the Group undertook a project to move its data and hosting from Amazon Web Services to Google Cloud Platform (GCP) which resulted in increased significant direct costs whilst these platforms were being run in parallel. Since the migration to GCP was completed in March 2021 however there has been a significant decrease in these data and hosting costs of a per student basis.

Employee benefits was a key expenditure item for the financial year being approximately \$18.1 million. As a technology business, employee wages and salary are a key business cost. During the year the Group significantly expanded its team increasing to have approximately 180 employees at 30 June 2021, with key growth in the engineering, product development and sales teams.

Non-cash share-based payments to advisors, employees and consultants during the period were approximately \$1.90 million. These equity incentives are designed to ensure employee interests were closely aligned with the achievement of the Group's operational and financial targets and also to reduce cash payments as part of the Group's commitment to reduce cash overheads. Another significant non-cash expenditure item was the depreciation and amortisation charge for the financial year of approximately \$2.61 million.

The Group reported a net loss attributable to members for the period of approximately \$21.98 million.

On 30 June 2021 Family Zone acquired an innovative classroom management technology business, NetRef. The acquisition provides the Group a new and innovative product line plus access to specialist and highly relevant technical and sales experts in the US which will aid in expanding the Company's footprint in the US. Consideration for the NetRef acquisition comprised an initial \$1.23 million share-based payment with deferred consideration payable of \$4.73 million as at 30 June 2021. The deferred consideration comprises cash and share based payments to be made on or before 31 January 2022.

During the year the Group raised approximately \$48.7 million through share placements to sophisticated and professional investors as well as a share purchase plan to existing investors.

The Group ended the year with \$34.93 million cash at 30 June 2021.

DIRECTORS' REPORT

Your Directors have pleasure in submitting their report together with the financial statements of Family Zone Cyber Safety Limited ('Company') and its wholly owned subsidiaries (the 'Group' or 'Family Zone') for the financial year ended 30 June 2021. 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 Peter Pawlowitsch | Non-Executive Independent Chairman |
| Mr Crispin Swan | Executive Director – Sales |
| Mr Phil Warren | Non-Executive Independent Director |
| Mr Matthew Stepka | Non-Executive Independent Director |

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

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year: Emma Wates

Emma is a Corporate Advisor and acted as Company Secretary for a number of ASX listed companies. Emma is a Chartered Accountant and a Senior Associate of FINSIA.

PRINCIPAL ACTIVITIES

Family Zone is a technology group focussed on cyber safety. Meeting a growing demand to keep kids safe online and manage digital lifestyles, Family Zone has developed a unique ecosystem-based approach to cyber safety. The Family Zone ecosystem is a platform from which cyber safety settings, advice, and support can be delivered across any network and any device – offering a universal approach to cyber safety at home, at school and anywhere in between. The innovation of the Family Zone ecosystem is that it not only supports the needs of schools and parents but also that it also permits telecommunication service providers and device manufacturers to embed world's-best practice cyber safety into their offerings.

The principal activities of the Group during the year have been continued sales and distribution, marketing and customer support of its suite of cyber safety products and services.

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

RESULTS

The Group reported total revenue and other income for the year ended 30 June 2021 of \$13,217,746 (2020: \$8,465,865) with revenue from operations being \$8,962,485 (2020: \$5,090,173).

The net loss attributable to members of the Group for the year ended 30 June 2021 amounted to \$21,930,396 (2020: loss \$17,617,120).

REVIEW OF OPERATIONS

The operations of the Group during the financial year have focussed on the sales and marketing of its suite of cyber safety products through its key distribution channels as well as the provision of ongoing customer support services and continual improvement and upgrade of its services.

DIRECTORS' REPORT

A review of the Group's operations over the past financial year is outlined on pages 5 to 7 of the Annual Report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL REGULATION

The Group 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.

EVENTS AFTER BALANCE DATE

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Group up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 1 July 2021, the Company announced the issue of 42,990,654 Placement Shares at \$0.535 raising \$23 million (before costs).

On 1 July 2021, the Company issued 2,155,354 shares and paid \$1,235,018 cash, comprising the Tranche 1 consideration and cash payable pursuant to the NetRef acquisition agreement.

On 6 August 2021, the Company announced it had executed a binding offer to acquire Smoothwall, UK's leading provider of K-12 digital safety solutions for £75.5 million (\$142.9 million) cash consideration. The acquisition was to be funded by a fully underwritten institutional placement of \$71.0 million (**Placement**) and pro-rata accelerated non-renounceable entitlement offer of \$75.4 million (**Entitlement Offer**) to raise gross proceeds of \$146.4 million (**Equity Raising**).

The Placement and institutional component of the Entitlement Offer completed on 9 August 2021 raising \$114.1 million with a further \$24.5 million raised under the retail component of the Entitlement Issue on 25 August 2021. A further \$7.8 million was raised through the placement of the shortfall shares by the Joint Lead Underwriters completing the \$146.4 million capital raising on 30 August 2021. A total of 266,123,291 Shares were issued under Equity Raising at a price of \$0.55 per Share.

The Company completed the acquisition of the Smoothwall business on 16 August 2021. Note 29 provides further information about this transaction.

On 6 August 2021 the Company issued 887,534 Shares to employees under its Employee Security Incentive Plan.

On 19 August 2021, Family Zone announced it had been awarded a substantial contract, through Smoothwall with Public Sector Broadband Aggregation, the public sector provider of broadband service to Wales in the UK.

DIRECTORS' REPORT

The 3 year deal has a contract value of ~\$1.4 million.

On 8 September 2021 the Company issued 9,896,453 Performance Rights and 1,747,331 Option comprising:

- 303,924 Remuneration Performance Rights
- 2,312,529 Employee Performance Rights;
- 4,610,000 STI Executive Performance Rights 2022;
- 1,350,000 STI Executive Performance Rights 2023;
- 1,500,000 LTI Performance Rights;
- 1,247,331 Options (\$0.60, 30 June 2025); and
- 500,000 Options (\$0.55, 30 June 2025).

On 10 September 2021 the Company issues 228,889 Shares under its Employee Security Incentive Scheme.

On 16 September the Company issued 244,374 Employee Options (\$0.60, 30 June 2021), 500,000 STI Executive Performance Rights 2022. 500,000 STI Performance Rights 2023 and 2,000,000 LTI 2023 Options (\$0.60, 30 June 2025).

Since the end of the financial year a total of 1,158,798 Shares have been issued following the exercise of 1,158,798 Options with a total of \$208,583 funds received from the exercise of these Options. In addition 69,174 Performance Rights have been exercised for nil consideration.

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

INFORMATION ON DIRECTORS

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 Peter Pawlowitsch

B. Comm, CPA
MBA, FGIA

Experience and expertise

Mr Pawlowitsch is an experienced ASX company director. Mr Pawlowitsch specialises in technology businesses and the transition from startup to sustainability.

Mr Pawlowitsch is also a Fellow of the Governance Institute of Australia and holds a Master of Business Administration from Curtin University. These qualifications have underpinned more than 15 years' experience in the accounting profession and more recently in business management and the evaluation of businesses and projects.

Other current directorships of ASX listed companies

- Dubber Corporation Limited (September 2011 – present)

DIRECTORS' REPORT

- VRX Silica Limited (February 2010 – present)
- Knosys Limited (March 2015 – present)
- Novatti Group Limited (June 2015 – present)

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

- Rewardle Holdings Limited (May 2017 – January 2019)

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
- Sales Manager, Sema
- Account Manager, Cisco Systems
- Account Manager, Alcatel-Lucent
- 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 managing 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 and continues to act as corporate advisor to some of these companies. Mr. Warren is a non-executive director of Rent.com.au Limited and also sits on a number of unlisted company boards in his capacity as finance and governance director.

Other current directorships of ASX listed companies

- Rent.com.au Limited (September 2014 – present)

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

- Cassini Resources Limited (March 2011- September 2020)
- Jupiter Energy Limited (April 2018 – November 2020)

Mr Matthew Stepka

Experience and expertise

Mr Stepka is Managing Partner of Machina Ventures, an investment firm focused on early stage, artificial intelligence and data science enabled companies. He is also a Lecturer at UC Berkeley, Haas School of Business. Previously, Mr. Stepka was Vice President, Business Operations and Strategy at Google, where he led and incubated strategic initiatives including expanding internet access, deploying renewable energy, strengthening freedom of expression and democracy, innovating in robotics, establishing novel pricing strategies and extending Google's footprint in emerging markets, especially Africa.

DIRECTORS' REPORT

Prior to joining Google, Mr. Stepka held positions including Vice President at drugstore.com, Chief Operating Officer at WorldRes (a leading online hotel reservation network) and Management Consultant with McKinsey & Company.

Mr. Stepka holds a Juris Doctorate from UCLA School of Law, and is a member of the California State Bar. In addition, he holds Bachelor of Science degrees in Computer Engineering and Management from Case Western Reserve University.

Other current directorships of ASX listed companies

None

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

None

MEETINGS OF DIRECTORS

The number of Directors' meetings held, and the number of meetings attended by each of the Directors, for the year ended 30 June 2021:

| Director | Number of Board meetings eligible to attend | Number of Board meetings attended |
|----------------------|---|-----------------------------------|
| Mr Tim Levy | 12 | 12 |
| Mr Peter Pawlowitsch | 12 | 11 |
| Mr Crispin Swan | 12 | 12 |
| Mr Phil Warren | 12 | 12 |
| Mr Matthew Stepka | 12 | 10 |

The number of audit committee meetings held, and the number of meetings attended by each of the Directors, for the year ended 30 June 2021.

| Director | Number of audit committee meetings eligible to attend | Number of audit committee meetings attended |
|------------------------|---|---|
| Phil Warren (Chairman) | 2 | 2 |
| Mr Peter Pawlowitsch | 2 | 2 |

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 rights of the Group were:

| Director | Shares | Unlisted Options | Performance Rights ¹ |
|-------------------|------------|------------------|---------------------------------|
| Tim Levy | 10,939,730 | 1,681,351 | 6,849,207 |
| Crispin Swan | 4,163,245 | 197,838 | 4,827,619 |
| Phil Warren | 491,688 | 1,000,000 | - |
| Peter Pawlowitsch | 9,934,449 | 6,000,000 | - |
| Matthew Stepka | 2,000,000 | - | 1,000,000 |

1. Refer to the table below for breakdown of various classes of Performance Rights held by Directors

DIRECTORS' REPORT

As at the date of this report, the interests of the Directors the various classes of performance rights of the Group were:

| Director | Performance Rights | | | | | | | Total |
|-------------------|--------------------|------------------|--------------|-----------|--------------|--------------|--------------|------------------|
| | Class G PRs | Remuneration PRs | Employee PRs | SP PRs | STI 2022 PRs | STI 2023 PRs | LTI 2023 PRs | |
| Tim Levy | 977,778 | 1,071,429 | 300,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,500,000 | 6,849,207 |
| Crispin Swan | 213,333 | 814,286 | 300,000 | - | 1,000,000 | 1,000,000 | 1,500,000 | 4,827,619 |
| Phil Warren | - | - | - | - | - | - | - | - |
| Peter Pawlowitsch | - | - | - | - | - | - | - | - |
| Matthew Stepka | - | - | - | 1,000,000 | - | - | - | 1,000,000 |

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company indemnifies the directors and officers of the Company for costs incurred, in their capacity as a director or officer, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Company paid a market rate premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. For confidentiality purposes the insurer has recommended not to disclose of the nature of the liability and the amount of the premium.

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 Group.

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 2021 is provided in this report.

NON-AUDIT SERVICES

BDO Audit (WA) Pty Ltd consented to and was appointed as the Group's auditors on following shareholder approval on 19 November 2020.

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. Non-audit services were provided by the Group's current auditors, BDO Audit (WA) Pty Ltd as detailed below. 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 2021 \$ | 30 June 2020 \$ |
|---|--------------------|--------------------|
| Amounts paid/ payable to BDO Audit (WA) Pty Ltd or related entities for non-audit services | | |
| BDO Rewards (WA) Pty Ltd – Review of Managing Directors Remuneration Package | 4,250 | - |
| Total auditor's remuneration for non-audit services | 4,250 | - |

DIRECTORS' REPORT

| | | |
|--|---------------|---------------|
| Amounts paid/ payable to Pitcher Partners BA&A Pty Ltd or related entities for non-audit services | | |
| Pitcher Partner BA&A Pty Ltd – Other assurance engagements | - | - |
| Pitcher Partners (WA) Pty Ltd - Taxation | 9,000 | 11,700 |
| Total auditor's remuneration for non-audit services | 13,250 | 11,700 |

UNISSUED SHARES UNDER OPTION

At the date of this report unissued ordinary shares, or interests of the Company under option, are:

| Options | Granted | Exercise Price | Expiry Date | Number |
|-------------------------|-----------------------------|-----------------------|-----------------------------|-------------------|
| Advisor Options | 11/03/2019 | \$0.25 | 11/03/2022 | 250,000 |
| Employee Options | 18/03/2019 | \$0.18 | 18/03/2022 | 1,372,656 |
| Selling/Advisor Options | 08/11/2019 | \$0.21 | 08/11/2022 | 1,595,000 |
| Director Options | 08/11/2019 | \$0.21 | 08/11/2022 | 3,000,000 |
| Employee Options | 29/05/2020 | \$0.21 | 29/05/2023 | 500,000 |
| Director Options | 30/06/2020 | \$0.21 | 07/07/2023 | 1,000,000 |
| Broker Options | 30/06/2020 | \$0.18 | 07/07/2023 | 450,000 |
| Advisor Options | 30/06/2020 | \$0.24 | 13/07/2023 | 700,000 |
| Advisor Options | 28/08/2020 | \$0.18 | 13/07/2023 | 500,000 |
| Director Options | 30/06/2021 | \$0.50 | 30/06/2025 | 4,500,000 |
| Employee Options | 01/09/2021 | \$0.60 | 30/06/2025 | 647,331 |
| Executive Options | 01/09/2021 | \$0.60 | 30/06/2025 | 600,000 |
| Executive Options | 01/09/2021 | \$0.55 | 30/06/2025 | 500,000 |
| Employee Options | 16/09/2021 | \$0.60 | 30/06/2025 | 244,374 |
| Executive Options | 16/09/2021 | \$0.60 | 30/06/2025 | 2,000,000 |
| Performance Shares | 29/11/2017 | Nil | 29/11/2022 | 3,000,000 |
| Performance Rights | 25/02/2019 to 01/09/2021 | Nil | 25/02/2022 to 30/06/2023 | 36,108,174 |
| Total | | | | 56,967,535 |

DIRECTORS' REPORT

SHARES ISSUED DURING OR SINCE THE END OF THE YEAR AS A RESULT OF EXERCISE OF OPTIONS

During the year, and as at the date of this report, details of ordinary shares issued by the Company as a result of the exercise of Options and Performance Rights are:

| Options | Date Granted | Exercise Price | Number of Shares issued | Amount paid for Shares |
|--------------------|------------------------------|----------------|-------------------------|------------------------|
| Broker Options | 21/05/2019 | \$0.235 | 898,692 | \$211,193 |
| Employee Options | 09/04/2018 | \$0.18 | 593,320 | \$106,798 |
| Selling/Advisor | 08/11/2019 | \$0.21 | 2,257,100 | \$473,991 |
| Advisor Options | 30/06/2020 | \$0.24 | 1,300,000 | \$312,000 |
| Advisor Options | 30/06/2020 | \$0.18 | 2,000,000 | \$360,000 |
| Broker Options | 07/07/2020 | \$0.18 | 1,550,000 | \$279,000 |
| Performance Rights | 25/02/2019 and 01/09/2021 | Nil | 6,321,102 | - |
| Total | | | 14,920,214 | \$1,742,982 |

ROUNDING OF AMOUNTS

The Company has applied the relief available to it in ASIC Legislative Instrument 2016/191, and accordingly certain amounts included in this report and in the financial report have been rounded off to the nearest \$1 (where rounding is applicable), under the option available to the Company under ASIC Corporations.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Group for the year ended 30 June 2021. The information contained in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

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 Group, directly or indirectly, including any director (whether executive or otherwise) of the Group, and includes the following specified executives in the Group:

A. Details of Key Management Personnel

| Name | Position | Period of Responsibility |
|----------------------|----------------------------|-----------------------------|
| Mr Tim Levy | Managing Director | Appointed 1 April 2014 |
| Mr Peter Pawlowitsch | Non-Executive Chairman | Appointed 24 September 2019 |
| Mr Crispin Swan | Executive Director - Sales | Appointed 3 September 2015 |
| Mr Phil Warren | Non-Executive Director | Appointed 13 May 2016 |
| Mr Matthew Stepka | Non-Executive Director | Appointed 1 May 2020 |

• Remuneration Policies

Remuneration levels for Directors, secretaries and senior executives of the Group ("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 Group's remuneration strategy.

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 Group's performance; and
- the amount of incentives within each Directors and senior executives 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, employer contributions to superannuation funds as well as securities issued under the Staff Incentive Plan as part of the Group's cashflow conservation strategy. These securities are considered fixed remuneration when they are not at risk as a result of performance.

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

During the year, the Board engaged BDO Rewards (WA) Pty Ltd to review its existing remuneration policies and recommendations on executive short-term and long-term remuneration design. BDO Rewards (WA) Pty Ltd was paid \$4,250 for these services.

DIRECTORS' REPORT REMUNERATION REPORT CONTINUED (AUDITED)

In addition to providing remuneration recommendations, BDO also provided various audit services. For these services BDO was paid a total of \$71,091. Details of these services are disclosed on page 15 of the Directors' report and in note 26 to the financial statements.

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 Group believes this policy will be effective in increasing shareholder wealth.

During the 2021 financial year, the Group implemented a Staff Incentive Plan with the following core objectives:

- Conserving cash by converting cash based remuneration to security based remuneration;
- Attract and retain staff;
- Align executives incentives to the Group's annual recurring revenue targets; and
- Align remuneration with shareholders through employees having an equity interest in the Company.

The 2021 Staff Incentive Plan introduced comprised:

Remuneration in Securities

The Executive Directors and a number of senior staff agreed to convert part of their cash based remuneration into security based remuneration. Shares and Remuneration Performance Rights were issued in lieu of salaries with the objective of conserving cash and aligning the employee remuneration with shareholders through employees having an equity interest in the Company.

Employee Incentive Scheme

The Group also introduced an Employee Incentive Scheme across all staff, including Executive Directors, with the objective of attracting and retaining staff within the business through the issue of Employee Performance Rights. The Employee Performance Rights were issued under the Company's Performance Rights Plan in three equal tranches which vest subject to continued employment over a 3 year period.

Executive Incentive Scheme

The Group also introduced an Executive Incentive Scheme for senior executives, including Executive Directors, focusing on growing annual recurring revenue (**ARR**). The continued growth of the Group's ARR has been identified as a key strategic objective of the Group with a \$16 million ARR target set for 30 June 2021.

The Executive Performance Rights issued under the Company's Performance Rights Plan include vesting conditions which focus on the achievement of \$16 million of ARR by 30 June 2021, which was revised to a quarterly recurring revenue target of \$4 million for the June 2021 quarter (**QRR Target**) following approval at a Shareholder Meeting on 9 June 2021. No Executive Performance Rights will vest if the Group does not achieve at least 90% of this QRR Target and all the Executive Performance Rights will vest if the Group's QRR Target is \$5 million by 30 June 2021 exceeding its Target QRR by 25%. The Group did not achieve 90% of the QRR Target and the Executive Performance Rights lapsed.

Executive Service Agreements

The Group has services agreements with each of its executive Directors and key management personnel. The Group has also entered into Non-Executive Director appointment letters outlining the policies and terms of this appointment

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)

including compensation.

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

Mr Tim Levy – Managing Director

The Company has an executive services agreement with Mr Tim Levy for his role as Managing Director of the Group which commenced 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 this agreement (as varied) are as follows:

- a) a base salary of \$375,000 per annum (2021: \$300,000) plus statutory superannuation, effective 1 July 2021
- b) 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 a 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;
 - (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; and
 - (v) by Mr Levy immediately, by giving notice, if the Company is in breach of a material term of this agreement.

Mr Levy agreed to forgo 50% of his cash salary for the 12 month period 1 February 2020 to 31 January 2021 and opted to receive 1,071,429 Remuneration Performance Rights for the service provided.

Under the Company's 2022-2023 Staff Incentive Plan, Mr Levy was issued 1,000,000 STI 2022 Performance Rights, 1,000,000 STI 2023 Performance Rights, 1,500,000 LTI Performance Rights and 1,500,000 New Director Options (\$0.50, 30 June 2025) on 30 June 2021 as a security based incentive component of his remuneration package. Refer to Section E for details on these incentive securities including the vesting conditions.

Mr Crispin Swan – Executive Director – Sales

The Company has an executive services agreement with Mr Crispin Swan 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 (as varied) are as follows:

- a) a base salary of \$375,000 per annum (2021: \$300,000) plus statutory superannuation, effective 1 July 2021
- b) 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

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)

- unable to perform his duties under the agreement for three consecutive months or a period aggregating to three months in a 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;
 - (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; and
 - (v) by Mr Swan immediately, by giving notice, if the Company is in breach of a material term of this agreement.

Mr Swan agreed to forgo 38% of his base salary for the 12 month period 1 February 2020 to 31 January 2021 and opted to instead receive 814,286 remuneration Performance Rights for the service provided.

Under the Company's 2022-2023 Staff Incentive Plan, Mr Swan was issued 1,000,000 STI 2022 Performance Rights, 1,000,000 STI 2023 Performance Rights and 1,500,000 LTI Performance Rights on 30 June 2021 as a security based incentive component of his remuneration package. Refer to Section E for details on these incentive securities including the vesting conditions.

Non-Executive Directors and Chairman Fees

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.

Non-Executive Chairman, Mr Peter Pawlowitsch receives a base cash fee of \$80,000 per annum (plus statutory superannuation) payable from his appointment date. If the market capitalisation of the Company reaches \$150 million for 20 consecutive days Mr Pawlowitsch remuneration will increase to \$100,000 per annum (plus statutory superannuation). Mr Pawlowitsch agreed to receive security-based remuneration for the 2020 calendar year in lieu of his cash remuneration. On 1 January 2021 Mr Pawlowitsch's base cash fee increased to \$100,000 following achievement of the market capitalisation milestone.

Non-Executive Directors Mr Phil Warren and Mr Matthew Stepka receive a base cash fee of \$40,000 per annum and \$60,000 per annum respectively. Mr Stepka agreed to receive equity based remuneration in lieu of his base cash fees for the 12 month period from his appointment on 1 May 2020 to 30 April 2021.

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

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)
B. Remuneration of Key Management Personnel

Details of the remuneration of the Directors and the key management personnel (**KMP**) (as defined in AASB 124 *Related Party Disclosures*) of the Group for the year ended 30 June 2021 are set out in the following table.

| Directors and KMP | Short -term | | | Post employment | | | Long term | | Share-based payments | TOTAL | Performance based % of remuneration | |
|-----------------------------------|----------------|---------------|----------|--------------------|-------------------------|-------------------------|--------------------|-----------------------|---|------------------|-------------------------------------|---------------------|
| | Salary fees \$ | Cash bonus \$ | Other \$ | Super-annuation \$ | Retire-ment benefits \$ | Termination benefits \$ | Incentive Plans \$ | Long Service Leave \$ | Shares/ Options/ Performance Rights (PR) \$ | \$ | Fixed based % | Performance based % |
| Mr Tim Levy ¹ | 212,500 | - | - | 20,188 | - | - | - | 12,481 | 236,668 | 481,837 | 80% | 20% |
| Mr Crispin Swan ² | 233,500 | - | - | 22,183 | - | - | - | 15,284 | 141,841 | 412,808 | 83% | 17% |
| Mr Peter Pawlowitsch ³ | 50,000 | - | - | 12,391 | - | - | - | - | 141,664 | 204,055 | 31% | 69% |
| Mr Phil Warren | 40,000 | - | - | 3,800 | - | - | - | - | 54,500 | 98,300 | 45% | 55% |
| Matthew Stepka ⁴ | 10,000 | - | - | - | - | - | - | - | 257,071 | 267,071 | 29% | 71% |
| Total Directors | 546,000 | - | - | 58,562 | - | - | - | 27,765 | 831,744 | 1,464,071 | 53% | 47% |

¹ Mr Levy received 50% of his cash salary fees as equity based remuneration for the 12 month period 1 February 2020 to 31 January 2021.

² Mr Swan received 38% of his cash salary fees as equity based remuneration for the 12 month period 1 February 2020 to 31 January 2021

³ Mr Pawlowitsch received 100% of the cash salary fees as equity based remuneration for the 12 month period 1 January 2020 to 31 December 2020.

⁴ Mr Stepka received 100% of his cash salary fees as equity based remuneration for the 12 month period from his appointment on 1 May 2020 to 30 April 2021.

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 Group for the year ended 30 June 2020 are set out in the following table.

| Directors and KMP | Short -term | | | Post employment | | | Long term | | Share-based payments | TOTAL | Performance based % of remuneration | |
|-----------------------------------|----------------|---------------|-----------------|--------------------|------------------------|-------------------------|--------------------|-----------------------|--|------------------|-------------------------------------|---------------------|
| | Salary fees \$ | Cash bonus \$ | Non-monetary \$ | Super-annuation \$ | Retirement benefits \$ | Termination benefits \$ | Incentive Plans \$ | Long Service Leave \$ | Shares/ Options/ Performance Rights \$ | \$ | Fixed based % | Performance based % |
| Mr Tim Levy ¹ | 62,500 | - | - | 18,129 | - | - | - | - | 195,101 | 275,730 | 86% | 14% |
| Mr Crispin Swan ² | 189,500 | - | - | 20,662 | - | - | - | - | 85,671 | 295,833 | 91% | 9% |
| Mr John Sims ³ | 4,166 | - | - | - | - | - | - | - | - | 4,166 | 100% | 0% |
| Mr Peter Pawlowitsch ³ | 21,449 | - | - | 2,037 | - | - | - | - | 208,523 | 232,009 | 45% | 55% |
| Mr Phil Warren | 16,666 | - | - | 3,800 | - | - | - | - | 57,705 | 78,171 | 26% | 74% |
| Matthew Stepka ⁴ | - | - | - | - | - | - | - | - | 361,863 | 361,863 | 3% | 97% |
| Total Directors | 294,281 | - | - | 44,628 | - | - | - | - | 908,863 | 1,247,772 | 52% | 48% |

¹ Mr Levy's base cash salary increased from \$220,000 to \$300,000 per annum on 15 January 2020. In the FY2019 Mr Levy received 100% of his base cash salary as equity based remuneration. In the FY2020 Mr Levy has agreed to receive 50% of his base cash salary as equity based remuneration. In addition Mr Levy's performance incentives were issued as equity based incentives in May 2020.

² Mr Swan's base cash salary increased from \$240,000 to \$300,000 per annum on 15 January 2020. In the FY2019 Mr Swan received 20% of his base cash salary as equity based remuneration. In the FY2020 Mr Swan has agreed to receive 38% of his base cash salary as equity based remuneration. In addition Mr Swan's performance incentives were issued as equity based incentives in May 2020.

³ Mr John Sims resigned from his position as Non-Executive Chairman 24 September 2019 and Mr Peter Pawlowitsch was appointed Non-Executive Chairman on the same date.

⁴ Mr Stepka was appointed as Non-Executive Director 1 May 2020.

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)
C. Relationship between remuneration and company performance

The Directors assess performance of the Group with regard to the achievement of both operational and financial targets with a current focus on subscriber numbers, recurring (contracted) sales revenues and share price. Directors and employees are issued options and/or performance rights, to encourage the alignment of personal and shareholder interests.

Options issued to Directors and employees may be subject to market-based price hurdles and other vesting conditions that encourage the achievement of strategic targets and/or ongoing commitment to the Group. The exercise price of options is set at a level that encourages the Directors to focus on share price appreciation. The Board 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 rights vest on the achievement of market based price hurdles and/or operational milestones, providing those Directors and executives holding performance rights an incentive to meet the operational and financial milestones prior to the expiry date of the performance rights.

On the resignation of Directors and employees any vested options and performance rights issued as remuneration are generally retained by the relevant party.

The Board may exercise discretion in relation to approving incentives such as options and performance rights. The policy is designed to reward key management personnel for performance that results in long-term growth in shareholder value, to also encourage employee commitment to the Group and to align staff and shareholders interests.

The following table shows Group's operating revenue, profits/(losses) and dividends for the last five financial years, as well as the Company's share prices at the end of the respective financial years. The Group has continued to grow its operating revenue over the last financial year. As outlined in the operating and financial review growth in revenue in particular contracted recurring revenues from the education business is a key focus of the Group. The Board has been issued equity based incentives during the financial year as a reward for the operational performance of the Group but also as an incentive with performance based vesting conditions linked to the Group's key strategic objectives being recurring revenue growth and share price appreciation, therefore aligning the interests of Directors with shareholders.

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|-------------------------|--------------|--------------|--------------|--------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Operating revenue | 8,962,485 | 5,090,173 | 4,184,323 | 2,329,780 | 1,589,202 |
| Net profit/(loss) | (21,930,396) | (17,617,120) | (14,401,137) | (18,206,211) | (8,834,735) |
| Share price at year-end | 0.60 | 0.195 | 0.150 | 0.475 | 0.33 |
| Dividends paid | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)
D. 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 2021 are as follows:

| Directors and Executives | Held at 1 July 2020 | Options exercised | Options expired | Options issued | Held at 30 June 2021 | Vested and exercisable at 30 June 2021 |
|-----------------------------------|---------------------|-------------------|-----------------|------------------|----------------------|--|
| Mr Tim Levy ¹ | 181,351 | - | - | 1,500,000 | 1,681,351 | 181,351 |
| Mr Crispin Swan | 197,838 | - | - | - | 197,838 | 197,838 |
| Mr Peter Pawlowitsch ¹ | 3,000,000 | - | - | 3,000,000 | 6,000,000 | 2,500,000 |
| Mr Phil Warren ² | - | - | - | 1,000,000 | 1,000,000 | 1,000,000 |
| Mr Matthew Stepka | - | - | - | - | - | - |
| Total | 3,379,189 | - | - | 5,500,000 | 8,879,189 | 3,879,189 |

1. 1,500,000 options (\$0.50, 30 June 2025) were issued to Tim Levy and 3,000,000 \$0.50, 30 June 2025) options were issued to Peter Pawlowitsch on 30 June 2021. These options were approved at the shareholder meeting on 9 June 2021.

2. On 7 July 2020 Phil Warren was issued 1,000,000 options (\$0.21, 7 July 2023). These were approved at shareholder meeting on 30 June 2020.

During the FY2020 period, 3,000,000 options (\$0.21, 3 years) were granted to Non-Executive Chairman, Peter Pawlowitsch pursuant to the terms of his appointment for services to be provided. Shareholder approval was obtained 4 November 2019 and the options were issued 8 November 2019. These options (excluding the 1,000,000 tranche options vesting immediately) are subject to various vesting conditions as outlined below:

| Tranche | Vesting Condition | Number | Value Per Option (\$) | Total Value (\$) | Total Share-Based Payment Expense for the year (\$) |
|--------------|---|------------------|-----------------------|------------------|---|
| 2 | The 30 day VWAP of the Company's Shares being greater than \$0.25 | 500,000 | 0.0917 | 45,855 | \$36,023 |
| 3 | The 30 day VWAP of the Company's Shares being greater than \$0.35 | 500,000 | 0.0882 | 44,090 | \$34,636 |
| 4 | The 30 day VWAP of the Company's Shares being greater than \$0.45 | 500,000 | 0.0830 | 41,480 | \$32,586 |
| 5 | The 30 day VWAP of the Company's Shares being greater than \$0.60 | 500,000 | 0.0754 | 37,700 | \$12,555 |
| Total | | 2,000,000 | | 169,125 | \$115,800 |

During the FY2020 period, 1,000,000 options (\$0.21, 3 years) were granted to non-executive Director Phil Warren. Shareholder approval was obtained 30 June 2020, options were issued 7 July 2020. These options (excluding the 500,000 tranche 1 options vesting immediately) are subject to various vesting conditions, the details of which have been outlined below:

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)

| Tranche | Vesting Condition | Number | Value Per Option (\$) | Total Value (\$) | Total Share-Based Payment Expense for the year (\$) |
|--------------|---|----------------|-----------------------|------------------|---|
| 2 | The 30 day VWAP of the Company's Shares being greater than \$0.25 | 500,000 | 0.1090 | 54,500 | \$54,500 |
| Total | | 500,000 | | 54,500 | \$54,500 |

The fair value of these options have been determined using a Monte Carlo simulation model and disclosed in the 30 June 2020 Annual Report.

New Director Options were granted during the year. 3,000,000 options were granted to non-executive Director Peter Pawlowitsch and 1,500,000 options for Managing Director for services to be provided, expiring 30 June 2025. Shareholder approval was obtained 9 June 2021, options were issued 30 June 2021. These options are subject to various vesting conditions, the details of which have been outlined below.

| Peter Pawlowitsch | Vesting Condition ¹ | Number | Value Per Option | Total Value | Total Share-Based Payment Expense for the year (\$) |
|-------------------|---|------------------|------------------|----------------|---|
| Tranche 1 | The 20 day VWAP of the Company's Shares being greater than \$0.90 | 750,000 | 0.348 | 261,225 | 7,305 |
| Tranche 2 | The 20 day VWAP of the Company's Shares being greater than \$1.45 | 750,000 | 0.314 | 235,725 | 6,592 |
| Tranche 3 | The 20 day VWAP of the Company's Shares being greater than \$1.90 | 1,500,000 | 0.285 | 427,950 | 11,967 |
| Total | | 3,000,000 | | 924,900 | 25,864 |

1. The holder must also be continuously employed by the Company on 30 June 2023.

| Tim Levy | Vesting Condition | Number | Value Per Option | Total Value | Total Share-Based Payment Expense for the year (\$) |
|------------------|---|------------------|------------------|----------------|---|
| Tranche 1 | The 20 day VWAP of the Company's Shares being greater than \$0.90 | 500,000 | 0.348 | 174,150 | 4,870 |
| Tranche 2 | The 20 day VWAP of the Company's Shares being greater than \$1.45 | 500,000 | 0.314 | 157,150 | 4,394 |
| Tranche 3 | The 20 day VWAP of the Company's Shares being greater than \$1.90 | 500,000 | 0.285 | 142,650 | 3,989 |
| Total | | 1,500,000 | | 473,950 | 13,253 |

1. The holder must also be continuously employed by the Company on 30 June 2023.

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)

The fair value of the New Director Options have been determined using a Monte Carlo simulation model and the inputs are outlined below:

| New Director Options | Tranche 1 | Tranche 2 | Tranche 3 |
|------------------------|-----------|-----------|-----------|
| Underlying share price | \$0.58 | \$0.58 | \$0.58 |
| Exercise price | \$0.50 | \$0.50 | \$0.50 |
| Target price | \$0.90 | \$1.45 | \$1.90 |
| Expiry date (years) | 4 | 4 | 4 |
| Expected Volatility | 80% | 80% | 80% |
| Risk free rate | 0.1051% | 0.1051% | 0.1051% |
| Value per option | \$0.348 | \$0.314 | \$0.285 |

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 for the year ended 30 June 2021 is as follows:

| Directors and Executives | Held at 1 July 2020 | Received as remuneration | Shares issued for cash subscription | Share issued on exercise of Options, Performance Rights | Other changes | Held at 30 June 2021 |
|-----------------------------------|---------------------|--------------------------|-------------------------------------|---|--------------------|----------------------|
| Mr Tim Levy | 10,939,730 | - | - | - | - | 10,939,730 |
| Mr Crispin Swan ⁴ | 4,196,575 | - | - | 166,670 | (200,000) | 4,163,245 |
| Mr Peter Pawlowitsch ¹ | 4,131,419 | - | 4,166,666 | - | - | 8,298,085 |
| Mr Phil Warren ² | 293,088 | - | 95,454 | - | - | 388,542 |
| Mr Matthew Stepka ³ | - | - | - | 4,500,000 | (2,500,000) | 2,000,000 |
| Total | 19,560,812 | - | 4,262,120 | 4,666,670 | (2,700,000) | 25,789,602 |

1. Mr Pawlowitsch participated in the May/June 2020 placement with 4,166,666 shares being issued at \$0.12 each (\$500,000 investment) on 7 July 2020.
2. Mr Warren participated in the Nov 2020 placement with 45,454 shares being issued at \$0.44 each (\$20,000 investment) on 25 November 2020. Similarly, 50,000 ordinary shares were acquired via on market purchase at \$0.415 each (\$20,750 investment) on 30 November 2020.
3. 4,500,000 Remuneration Rights issued to Mr Stepka were exercised during the period and converted into fully paid ordinary shares. 2,500,000 shares were sold on the market.
4. Mr Swan exercised 166,670 Class D Performance Rights and sold 200,000 shares on market during the year.

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)
c) Performance Rights Holdings of Key Management Personnel

The number of Performance Rights 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 2021 are as follows:

| Directors and Executives | Performance Rights held at 1 July 2020 | Received as remuneration | Exercised | Other changes | Performance Rights held at 30 June 2021 |
|---------------------------------|---|---------------------------------|--------------------|----------------------|--|
| Mr Tim Levy ¹ | 4,599,207 | 3,500,000 | - | (1,250,000) | 6,849,207 |
| Mr Crispin Swan ² | 3,244,289 | 3,500,000 | (166,670) | (1,750,000) | 4,827,619 |
| Mr Peter Pawlowitsch | - | - | - | - | - |
| Mr Phil Warren | - | - | - | - | - |
| Mr Matthew Stepka ³ | - | 5,500,000 | (4,500,000) | - | 1,000,000 |
| Total | 7,843,496 | 12,500,000 | (5,166,670) | (3,000,000) | 12,676,826 |

1. Tim Levy was issued 1,000,000 STI 2022 Performance Rights, 1,000,000 STI 2023 Performance Rights and 1,500,000 LTI Performance Rights on 30 June 2021. These were approved at the shareholder meeting on 9 June 2021. 1,250,000 performance rights lapsed during the year.

2. Crispin Swan was issued 1,000,000 STI 2022 Performance Rights, 1,000,000 STI 2023 Performance Rights and 1,500,000 LTI Performance Rights on 30 June 2021. These were approved at the shareholder meeting on 9 June 2021. 166,670 of previously issued performance rights to Mr Swan were exercised during the financial year 2021 and 1,750,000 performance rights lapsed.

3. 500,000 Remuneration Performance Rights and 5,000,000 MS SP Performance Rights were issued to Matthew Stepka on 7 July 2020. The issue of these securities was approved by shareholders and therefore for accounting purposes considered granted on 30 June 2020. Mr Stepka exercised 4,500,000 Performance Rights in the current year.

The Performance Rights that were granted in the prior financial year are subject to the following vesting milestones:

| Performance Rights | Vesting Condition | Milestone Date |
|-------------------------------------|--|--------------------------|
| Remuneration Performance Rights | Continued employment with the Company in existing role from issue date until the Milestone Date | 6 months from issue date |
| Executive Performance Rights | The achievement of QRR ¹ of \$3.6m by the Milestone Date (being 90% of targeted QRR of \$4million) ³ | 30 June 2021 |
| Class A Employee Performance Rights | Continued employment with the Company in existing role from issue date until the Milestone Date | 1 year from issue date. |
| Class B Employee Performance Rights | Continued employment with the Company in existing role from issue date until the Milestone Date | 2 year from issue date. |
| Class C Employee Performance Rights | Continued employment with the Company in existing role from issue date until the Milestone Date | 3 year from issue date. |
| Class A TL SP Performance Rights | The 30 day VWAP of the Company's Shares being greater than \$0.25 prior to the Milestone Date | 3 years from issue date |

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)

| Performance Rights | Vesting Condition | Milestone Date |
|----------------------------------|---|-------------------------|
| Class B TL SP Performance Rights | The 30 day VWAP of the Company's Shares being greater than \$0.35 prior to the Milestone Date | 3 years from issue date |
| Class C TL SP Performance Rights | The 30 day VWAP of the Company's Shares being greater than \$0.45 prior to the Milestone Date | 3 years from issue date |
| Class D TL SP Performance Rights | The 30 day VWAP of the Company's Shares being greater than \$0.60 prior to the Milestone Date | 3 years from issue date |
| Class A MS SP Performance Rights | The 30 day VWAP of the Company's Shares being greater \$0.12 prior to the Milestone Date | 1 year from issue date. |
| Class B MS SP Performance Rights | The 30 day VWAP of the Company's Shares being greater than \$0.18 prior to the Milestone Date | 1 year from issue date. |
| Class C MS SP Performance Rights | The 30 day VWAP of the Company's Shares being greater than \$0.24 prior to the Milestone Date | 1 year from issue date. |
| Class D MS SP Performance Rights | The 30 day VWAP of the Company's Shares being greater than \$0.36 prior to the Milestone Date | 2 year from issue date. |
| Class E MS SP Performance Rights | The 30 day VWAP of the Company's Shares being greater \$0.60 prior to the Milestone Date | 2 year from issue date. |

Note:

1. Quarterly recurring revenue for the June 2021 quarter
2. Other than the Executive Performance Rights, all Performance Rights will vest on achievement of the Vesting Condition by the Milestone Date.
3. In regard to the Executive Performance, if the QRR is \$5m or more, 100% of the Executive Performance Rights held will vest
OR

If the QRR is less than \$5m, the number of Executive Performance Rights vesting is determined based on this formula:

$[QRR \text{ at the Milestone Date} / \$4m] \times [(Number \text{ Executive Performance Rights held}) \times (100/125)]$

The Vesting Condition attaching to the Executive Performance Rights was changed from an annual recurring revenue (ARR) target of \$16 million for the year ended 30 June 2021 to a QRR target of \$4 million for the June 2021 quarter following approval at a Shareholder Meeting on 9 June 2021. On 30 June 2021, the QRR hurdle was not met and the rights lapsed.

- (i) During the year, the Company issued the following Performance Rights to Tim Levy and Crispin Swan as an incentive and as remuneration for services provided. The issue of these Performance Rights was approved by Shareholders on 9 June 2021 and the Performance Rights were issued on 30 June 2021.

| Performance Rights | Tim Levy | Crispin Swan | Total Number | Total Expense for Year |
|-----------------------------|------------------|---------------------|---------------------|-------------------------------|
| STI 2022 Performance Rights | 1,000,000 | 1,000,000 | 2,000,000 | \$63,108 |
| STI 2023 Performance Rights | 1,000,000 | 1,000,000 | 2,000,000 | \$32,436 |
| LTI 2023 Performance Rights | 1,500,000 | 1,500,000 | 3,000,000 | \$48,655 |
| TOTAL | 3,500,000 | 3,500,000 | 7,000,000 | \$144,199 |

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)

The STI 2022 Performance Rights, STI 2023 Performance Rights and LTI Performance Rights issued to Tim Levy and Crispin Swan have been value using the Black & Scholes Option Pricing Model based on the following key assumptions:

| Tim Levy | STI 2022 Performance Rights | STI 2023 Performance Rights | LTI Performance Rights | Total |
|---|--|--|-----------------------------------|--------------------|
| | <i>Unvested</i> | <i>Unvested</i> | <i>Unvested</i> | |
| Vesting Date | 30-Jun-22 | 30-Jun-23 | 30-Jun-23 | |
| Number of PR issued | 1,000,000 | 1,000,000 | 1,500,000 | 3,500,000 |
| Share price at grant date | \$0.58 | \$0.58 | \$0.58 | |
| Exercise Price | nil | nil | nil | |
| Volatility | 80.00% | 80.00% | 80.00% | |
| Risk Free Rate | 0.11% | 0.11% | 0.11% | |
| Fair value per Performance Right | \$0.58 | \$0.58 | \$0.58 | |
| Total Value of PR | \$580,000 | \$580,000 | \$870,000 | \$2,030,000 |
| Total Expense for Period | \$31,554 | \$16,218 | \$24,327 | \$72,099 |

| Crispin Swan | STI 2022 Performance Rights | STI 2023 Performance Rights | LTI Performance Rights | Total |
|---|--|--|-----------------------------------|--------------------|
| | <i>Unvested</i> | <i>Unvested</i> | <i>Unvested</i> | |
| Vesting Date | 30-Jun-22 | 30-Jun-23 | 30-Jun-23 | |
| Number of PR issued | 1,000,000 | 1,000,000 | 1,500,000 | 3,500,000 |
| Share price at grant date | \$0.58 | \$0.58 | \$0.58 | |
| Exercise Price | nil | nil | nil | |
| Volatility | 80.00% | 80.00% | 80.00% | |
| Risk Free Rate | 0.11% | 0.11% | 0.11% | |
| Fair value per Performance Right | \$0.58 | \$0.58 | \$0.58 | |
| Total Value of PR | \$580,000 | \$580,000 | \$870,000 | \$2,030,000 |
| Total Expense for Period | \$31,554 | \$16,218 | \$24,327 | \$72,099 |

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)

Each of the STI 2022 Performance Rights, STI 2023 Performance Rights, LTI Performance Rights above will vest when the applicable vesting condition(s) outlined below are achieved by the Milestone Date outlined.

| Performance Rights | Vesting Condition | Vesting Date |
|-----------------------------|--|---------------------|
| STI 2022 Performance Rights | <p>a. <u>Continued employment</u> until 30 June 2022;</p> <p>b. Receive a positive <u>Personal Scorecard</u> for the financial year ended 30 June 2022 from the Board for performance over the previous 12 months, 50% of the STI 2022 Performance Rights shall vest;</p> <p>c. <u>QRR Growth</u> - If the Company achieves 50% growth in Quarterly Recurring Revenue (QRR) from 1 April 2022 to 30 June 2022 compared to the corresponding period in the previous year, 60% of the remaining 50% of the STI 2022 Performance Rights shall vest, with straight line pro- rata vesting for additional percentages of QRR Growth up to 100% from 1 April 2022 to 30 June 2022 compared to the corresponding period in the previous year.</p> | 30 June 2022 |
| STI 2023 Performance Rights | <p>a. <u>Continued employment</u> until 30 June 2023;</p> <p>b. Receive a positive <u>Personal Scorecard</u> for the financial year ended 30 June 2023 from the Board for performance over the previous 12 months, 50% of the STI 2023 Performance Rights shall vest;</p> <p>c. <u>QRR Growth</u> - If the Company achieves 40% growth in Quarterly Recurring Revenue (QRR) from 1 April 2023 to 30 June 2023 compared to the corresponding period in the previous year, 50% of the remaining 50% of the STI 2023 Performance Rights shall vest, with straight line pro- rata vesting for additional percentages of QRR Growth up to 100% from 1 April 2023 to 30 June 2023 compared to the corresponding period in the previous year.</p> | 30 June 2023 |
| LTI 2023 Performance Rights | <p>150,000 LTI Performance Rights (per holder) shall vest subject to the achievement of each of the Operational Milestone outlined below, which are linked to the following key business Objectives:</p> <p>a. Expand Markets;</p> <p>b. Expand Products;</p> <p>c. Launch Community;</p> <p>d. Make Sustainable;</p> <p>e. Improve Revenue per Student.</p> <p>A maximum of 450,000 LTI Performance rights (per holder) can vest per business objective.</p> | 30 June 2023 |

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)

| Objective | Operational Milestones |
|------------------------------|--|
| Expand Markets | <ul style="list-style-type: none"> Achieving revenue of greater than \$500,000 in total prior to 30 June 2023 in a market other than USA, Australia or New Zealand. |
| Expand Products | <ul style="list-style-type: none"> Launch of a new product which generates revenue of greater than \$500,000 in total prior to 30 June 2023. Launch of a new product which achieves 2.5% take-up by School Clients in a particular country. |
| Launch Community | <ul style="list-style-type: none"> Launch of Community in a market outside of Australian and achieve greater than 20% take-up by School Clients. Launch of Community in a market outside of Australian and achieve greater than 30% take-up by School Clients. Launch of Community in a market outside of Australia and achieve 2% of parents within all participating School Clients activating a Consumer Account. Launch of Community in a country outside of Australia and achieve 5% of parents within all participating School Clients activating a Consumer Account |
| Make Sustainable | <ul style="list-style-type: none"> Achieve quarterly average data and hosting costs per student below targets set by the Board Achieve quarterly Service Margin above targets set by the Board. |
| Improve Revenues per Student | <ul style="list-style-type: none"> Achieve Average Revenue Per Student targets set by the Board. |

Management have assessed the probability of achieving the vesting conditions, as at reporting date. If it was assessed that the hurdle was likely to be met prior to the expiry date the share based payment expense has been adjusted to reflect a shorter vesting period. Management have applied a 100% probability of achievement for all hurdles listed above.

c) 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.

d) 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.

Grange Consulting

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

Grange Consulting is engaged to provide financial management and company secretarial services to the Group. Pursuant to this engagement during the year ended 30 June 2021 Grange Consulting was entitled to receive \$10,000 (plus GST) per month for these services for the period 1 July 2020 until 30 November 2020 and \$4,000 per month (plus GST) from 1 December 2020 to 30 June 2021. 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.

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)

A summary of the fees paid to Grange Consulting for the year ended 30 June 2021 and 30 June 2020 is as follows:

| | 30 June 2021 | 30 June 2020 |
|---|---------------------|---------------------|
| Company secretarial and financial management services | \$90,403 | \$94,839 |
| Total | \$90,403 | \$94,839 |

\$90,403 was paid to Grange for financial management and company secretarial services for the year ended 30 June 2021. \$4,620 was outstanding and payable to Grange as at 30 June 2021 (2020: \$nil).

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

Signed in accordance with a resolution of the Directors.



Mr Tim Levy
Managing Director
24 September 2021

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF FAMILY ZONE CYBER SAFETY LIMITED

As lead auditor of Family Zone Cyber Safety Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Family Zone Cyber Safety Limited and the entities it controlled during the period.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 24 September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|---|------------|---------------------|---------------------|
| Revenue | | | |
| Revenue from ordinary activities | 4 | 8,962,485 | 5,090,173 |
| Other income | 4 | 4,255,261 | 3,375,692 |
| Expenses | | | |
| Direct costs | 5 | (7,033,473) | (4,544,508) |
| Share based payments | 20 | (1,896,905) | (2,915,880) |
| Employee benefits costs | 5 | (18,105,878) | (10,209,422) |
| Administration costs | 5 | (4,023,909) | (3,045,570) |
| Finance costs | | (197,301) | (214,404) |
| Depreciation and amortisation | 11, 12, 13 | (2,605,522) | (4,164,248) |
| Other costs | | (1,285,154) | (988,953) |
| Loss before income tax | | (21,930,396) | (17,617,120) |
| Income tax benefit/(expense) | | - | - |
| Loss after tax for the period attributable to the members of Family Zone Cyber Safety Limited | | (21,930,396) | (17,617,120) |
| Other comprehensive income | | | |
| Items that will be reclassified subsequently to profit or loss when specific conditions are met: | | | |
| Exchange differences on translating foreign operations, net of tax | | (53,676) | (9,595) |
| Total comprehensive (loss) for the period attributable to the members of Family Zone Cyber Safety Limited | | (21,984,072) | (17,626,715) |
| Basic and diluted loss per share (cents per share) for the year attributed to the members of Family Zone Cyber Safety Limited | 7 | (6.00) | (7.48) |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|--------------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 8 | 34,933,166 | 5,807,193 |
| Trade and other receivables | 9 | 8,812,572 | 4,739,118 |
| Prepayments | | 1,944,985 | 188,611 |
| Inventory | 10 | 372,927 | 249,993 |
| Total Current Assets | | 46,063,650 | 10,984,915 |
| Non-Current Assets | | | |
| Intangibles | 11 | 5,973,314 | 1,251,177 |
| Trade and other receivables | 9 | 158,833 | 53,156 |
| Plant and equipment | 12 | 2,764,399 | 1,540,565 |
| Right to use assets | 13 | 2,552,116 | 365,740 |
| Total Non-current Assets | | 11,448,662 | 3,210,638 |
| TOTAL ASSETS | | 57,512,312 | 14,195,553 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 14 | 10,851,035 | 3,121,307 |
| Contract liabilities | 4 | 5,567,461 | 2,314,320 |
| Provisions | 15 | 1,201,546 | 655,028 |
| Borrowings | 16 | 284,406 | 1,272,510 |
| Lease liability | 13 | 590,186 | 225,642 |
| Total Current Liabilities | | 18,494,634 | 7,588,807 |
| Non-current Liabilities | | | |
| Contract liabilities | 4 | 2,937,026 | 1,917,795 |
| Contingent consideration | | 68,307 | 22,117 |
| Provisions | 15 | 237,762 | 103,563 |
| Borrowings | 16 | 157,889 | - |
| Lease Liability | 13 | 2,278,972 | 156,625 |
| Total Non-current Liabilities | | 5,679,956 | 2,200,100 |
| TOTAL LIABILITIES | | 24,174,590 | 9,788,907 |
| NET ASSETS | | 33,337,722 | 4,406,646 |
| EQUITY | | | |
| Issued capital | 17 | 106,052,956 | 56,673,575 |
| Reserves | 18 | 11,917,378 | 10,435,288 |
| Accumulated losses | 19 | (84,632,612) | (62,702,217) |
| TOTAL EQUITY | | 33,337,722 | 4,406,646 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2021

| | Issued Capital | Share-based Payment Reserve | Accumulated Losses | Foreign Currency Translation Reserve | Total |
|--|--------------------|-----------------------------------|-----------------------|---|---------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2019 | 45,567,979 | 7,454,897 | (45,085,097) | (3,310) | 7,934,469 |
| Loss for the year | - | - | (17,617,120) | - | (17,617,120) |
| Total other comprehensive income | - | - | - | (9,595) | (9,595) |
| Total comprehensive loss for the year | - | - | (17,617,120) | (9,595) | (17,626,715) |
| <i>Transaction with owners, directly recorded in equity:</i> | | | | | |
| Issue of Ordinary Shares, net of transaction costs | 11,105,596 | - | - | - | 11,105,596 |
| Issue of Options, Performance Rights & Performance Shares | - | 3,054,036 | - | - | 3,054,036 |
| Reversal of performance rights | - | (20,833) | - | - | (20,833) |
| Reversal of employee options | - | (39,907) | - | - | (39,907) |
| Total transactions with owners | 11,105,596 | 2,993,296 | - | - | 14,098,892 |
| Balance at 30 June 2020 | 56,673,575 | 10,448,193 | (62,702,217) | (12,905) | 4,406,646 |
| | | | | | |
| | Issued Capital | Share-based Payment Reserve | Accumulated Losses | Foreign Currency Translation Reserve | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2020 | 56,673,575 | 10,448,193 | (62,702,217) | (12,905) | 4,406,646 |
| Loss for the year | - | - | (21,930,396) | - | (21,930,396) |
| Total other comprehensive income | - | - | - | (53,676) | (53,676) |
| Total comprehensive loss for the year | - | - | (21,930,396) | (53,676) | (21,984,072) |
| <i>Transaction with owners, directly recorded in equity:</i> | | | | | |
| Issue of Ordinary Shares, net of transaction costs | 49,379,381 | - | - | - | 49,379,381 |
| Issue of Options, Performance Rights & Performance Shares | - | 3,497,434 | - | - | 3,497,434 |
| Reversal of performance rights | - | (1,884,679) | - | - | (1,884,679) |
| Reversal of employee options | - | (76,988) | - | - | (76,988) |
| Total transactions with owners | 49,379,381 | 1,535,767 | - | - | 50,915,148 |
| Balance at 30 June 2021 | 106,052,956 | 11,983,960 | (84,632,613) | (66,581) | 33,337,722 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|--|------|---------------------|--------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 10,406,436 | 5,888,149 |
| Government grants received | | 2,094,471 | 1,943,696 |
| Payments to suppliers and employees | | (27,889,077) | (16,090,303) |
| Interest received | | 62,179 | 3,742 |
| Interest paid | | (151,655) | (22,258) |
| Net cash flows (used in) operating activities | 21 | (15,477,646) | (8,276,974) |
| Cash flows from investing activities | | | |
| Purchase of plant & equipment | | (2,008,981) | (1,261,159) |
| Cash acquired from business combination | 24 | 31,399 | - |
| Net cash flows (used in) investing activities | | (1,977,582) | (1,261,159) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 50,258,434 | 11,170,072 |
| Share issue transaction costs | | (2,475,210) | (729,560) |
| Payment of principle portion of lease liabilities | | (573,002) | (185,671) |
| Proceeds from borrowings | | 442,295 | 1,522,017 |
| Repayments of borrowings | | (1,206,711) | (1,523,106) |
| Net cash flows from financing activities | | 46,445,806 | 10,253,752 |
| Net increase in cash and cash equivalents | | 28,990,578 | 715,619 |
| Cash and cash equivalents at beginning year | | 5,807,193 | 5,116,523 |
| Effects of foreign exchange rates | | 135,395 | (24,949) |
| Cash and cash equivalents at end year | 8 | 34,933,166 | 5,807,193 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

NOTE 1: REPORTING ENTITY

Family Zone Cyber Safety Limited is the listed public company incorporated and domiciled in Australia and head of the Group. The financial statements of the Group are as at, and for the year ended, 30 June 2021.

A description of the nature of the Group'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) (**AASB**) and the *Corporations Act 2001*.

The Financial Statements and Notes of the Group 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 Limited is a company limited by shares. The financial report is presented in Australian currency. Family Zone Cyber Safety Limited is a for-profit entity.

(a) Adoption of new and revised accounting standards

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

(b) Standards Issued but not yet effective

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

(c) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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:

(i) *Share-Based Payments*

The Company measures the cost of equity-settled transactions with suppliers by reference to the fair value of the goods or services received provided this can be estimated reliably. For equity-settled transactions with employees, the fair value is determined indirectly by reference to the fair value of the equity instruments granted. The fair value of the equity instruments granted is determined using an appropriate option pricing model taking into account the terms and conditions upon which the instruments were granted. The Company also made an assessment on the probability of the achievement of non-market based vesting hurdles in assessing the value of the equity instruments granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Please refer to Note 20 for further details.

(ii) *Impairment of non-financial assets other than goodwill*

The consolidated entity assesses impairment of non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

(iii) *Business combinations*

As discussed in note 24, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

In assessing whether a business has been acquired for the purpose of AASB10 the Company considered whether an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. In assessing the inputs and substantive processes that contribute to the ability to create the output, the Company exercised judgement around the extent of the workforce required to create the necessary outputs of the business.

(iv) *Deferred Consideration*

Deferred consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the deferred consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date.

The determination of fair value of deferred consideration in the current year required judgement to be exercised in regards to expected future annual recurring revenue as disclosed in Note 24 of the financial report.

(v) *Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

(vi) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on the information available at balance date. The actual credit losses in future years may be higher or lower.

(vii) Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board 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) 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.

(b) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in Consolidated 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

(c) Financial Assets and Financial Liabilities

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

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit and loss.

The classification of financial instruments at initial recognition depends on the financial asset's contractual cashflow characteristics and the Group's business model for managing them. With the exception of the Group's trade receivables that do not contain a significant financing component, the Group initially measures the financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with the Group's accounting policy for revenue recognition. 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 Group.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, contingent consideration and lease liabilities. All financial liabilities are measured at either amortised cost using the effective interest rate method, or at fair value. 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. A financial liability is removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged or cancelled or expires.

(d) Trade and Other Receivables

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

The Group applies a simplified approach in calculating expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. In determining the provision required, the Group utilises its historical credit loss experience, adjusted only where appropriate for forward-looking factors specific to the debtors and economic environment.

(e) Inventories

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.

(f) Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years

(g) Plant and Equipment

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

The carrying amount of 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 Group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

| <u>Class of Fixed Asset</u> | <u>Depreciation Rate</u> |
|-----------------------------|--------------------------|
| Plant and Equipment | 10% - 40% |

(h) Research & Development Expense

The Group expenses all research and development costs as incurred. The amounts incurred in relation to patent development costs and patent applications are expensed until the Group has received formal notification that a patent has been granted. The Group believes expensing patent development and application costs provides the most relevant and reliable information to financial statement users. The Group will only record a development asset in accordance with the policy set out in Note 3(f).

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

(i) Impairment of Non-Financial Assets

At each reporting date, the Group 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss. Goodwill (and any indefinite life intangible assets) are tested for impairment annually

(j) 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.

(k) Cash and Cash Equivalents

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

(l) 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 wholly 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 wholly 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.

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

(m) 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, including performance shares, performance rights and options, 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 an appropriate 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 for options and performance rights with non-marked based vesting conditions and the Monte Carlo simulation model for options and performance

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

rights with market based vesting conditions. The fair value of shares issued is based on the closing market price of the Company's share on the grant date.

(n) 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.

(o) Revenue

The principal activities of the Group are the sale and distribution, marketing and customer support of its suite of cyber safety products and services.

Sales of Hardware

Revenue from the sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Subscription revenues

Subscription/service revenue is recognised over time over the life of the service contract as the Groups service obligations under the contract are satisfied.

Contract balances

Contract Assets:

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under *Financial Assets and Financial Liabilities* above.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performed the relevant performance obligations under the contract.

Prepaid Commissions

Commissions owing to resellers are paid at the inception of the contract and recognised as a contract asset, amortised to direct costs in the consolidated statement of profit or loss and other comprehensive income over the term of the contract. The contract liability balance in the consolidated statement of financial position is shown net of prepaid commissions.

Capitalised Contract Cost

Incremental costs of obtaining a contract and certain costs to fulfil a contract are recognised as an asset if the following criteria are met:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

- the costs relate directly to a customer contract;
- the costs generate or enhance resources of the entity that will be used in satisfying performance obligations attaching to the customer contracts; and
- the costs are recoverable from the customer.

Any capitalised contract costs assets are amortised on a systematic basis that is consistent with the Group's transfer of the related goods or services to the customer.

(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 Group, 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.

(q) Segment Reporting

An operating segment is a component of a Group 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 Group), whose operating results are regularly reviewed by the Group'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.

AASB 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance.

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.

The Group has three operating segments being information technology (and more specifically the provision of cyber safety services) in Australia, United States of America and New Zealand which is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

(r) Current and non-current classification

Assets and liabilities are presented in the Consolidated 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 Group'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

A liability is classified as current when: it is either expected to be settled in the Group'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 Consolidated 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.

(t) Foreign Currency Translation

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of the parent is Australian Dollars. The consolidated financial statements are presented in Australian Dollars.

(ii) Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the transition of monetary items are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise, except where deferred in equity as a qualifying cash flow.

(iii) Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences transferred to the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which the operation is disposed. For the purpose of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

(u) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

(v) Right-of-use-assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities. The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(w) Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under -residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(x) Basis of Consolidation

The Financial Statements are those of the Group, comprising the financial statements of the Company, and of all entities which the Company controls. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Subsidiaries are eliminated from the date on which control is established and are de-recognised from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
NOTE 4: REVENUE AND OTHER INCOME

| Operating Revenue | 2021 | 2020 |
|--|------------------|------------------|
| | \$ | \$ |
| Service revenue | 8,698,594 | 4,775,644 |
| Hardware revenue | 263,891 | 314,529 |
| | 8,962,485 | 5,090,173 |
| | | |
| Other Income | | |
| Interest revenue | 62,179 | 3,742 |
| Other government grants/subsidies received | 747,903 | 981,806 |
| Research and development grant | 3,445,179 | 2,390,144 |
| | 4,255,261 | 3,375,692 |

Disaggregation of revenue from contracts with customers

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled over time and at a point in time. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled.

| Timing of revenue recognition – 30 June 2021 | Service Revenue: Education | Service Revenue: Consumer | Hardware Revenue |
|--|-------------------------------|------------------------------|------------------|
| At a point in time | - | - | 263,891 |
| Over time | 8,221,918 | 476,676 | - |
| Total | 8,221,918 | 476,676 | 263,891 |

| Geographical Regions - 30 June 2021 | Service Revenue: Education | Service Revenue: Consumer | Hardware Revenue |
|-------------------------------------|-------------------------------|------------------------------|------------------|
| Australia | 2,777,162 | 476,488 | 266,693 |
| New Zealand | 988,093 | - | - |
| USA | 4,956,663 | (32) | (2,802) |
| Rest of the world | - | 220 | - |
| Total | 8,221,918 | 476,676 | 263,891 |

| Timing of revenue recognition – 30 June 2020 | Service Revenue: Education | Service Revenue: Consumer | Hardware Revenue |
|--|-------------------------------|------------------------------|------------------|
| At a point in time | - | - | 314,529 |
| Over time | 3,875,585 | 900,059 | - |
| Total | 3,875,585 | 900,059 | 314,529 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| Geographical Regions - 30 June 2020 | Service Revenue: Education | Service Revenue: Consumer | Hardware Revenue |
|-------------------------------------|----------------------------|---------------------------|------------------|
| Australia | 1,635,763 | 804,825 | 275,213 |
| New Zealand | 952,852 | 13,586 | - |
| USA | 1,286,970 | 10,777 | 39,316 |
| Rest of the world | - | 70,871 | - |
| Total | 3,875,585 | 900,059 | 314,529 |

Contract liabilities

Contract liabilities recognised relate to amounts invoiced in advance of the transfer of services to customers for its subscription service offerings. Revenue is recognised for these amounts over time, over the life of the service contract, as the Group's service performance obligations are satisfied.

a) Reconciliation of movements in contract liabilities

| Contract Liabilities | \$ |
|-----------------------------------|------------------|
| Balance at 1 July 2019 | 2,103,935 |
| Additions | 4,031,361 |
| Recognised within service revenue | (1,903,181) |
| Balance at 30 June 2020 | 4,232,115 |
| Additions | 12,970,966 |
| Recognised within service revenue | (8,698,594) |
| Balance at 30 June 2021 | 8,504,487 |

As at 30 June 2021 \$5,567,461 (2020: \$2,314,320) has been recognised as current contract liabilities representing services to be provided within the next 12 months. A further \$2,937,026 (2020: \$1,917,795) represents contracts signed for services to be delivered in the next 2-3 years.

In adopting AASB 15, the group recognised a contract asset in relation to the Services fixed-price contracts whereby the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. \$2,314,320 revenue was recognised in the current reporting period relating to carried-forward contract liabilities or performance obligations satisfied in a prior year. \$8,504,487 of transaction price relates to unsatisfied performance obligations that will be satisfied in the future financial periods.

Critical judgement in allocating transaction price

Subscription services fixed-price contracts have a number of performance obligations, and the transaction price was allocated to the performance obligations based on the stand-alone selling prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
NOTE 5: EXPENSES

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Direct Costs | | |
| Service revenue | 1,147,961 | 741,727 |
| Hardware revenue | 258,133 | 166,787 |
| Cloud Storage | 5,627,379 | 3,635,994 |
| | 7,033,473 | 4,544,508 |
| Employee and director benefits cost | | |
| Director fees | 546,000 | 467,362 |
| Employee wages and superannuation | 14,770,748 | 8,625,158 |
| Staff and Contractor commissions | 1,020,590 | 956,380 |
| Other employee costs | 1,768,540 | 160,522 |
| | 18,105,878 | 10,209,422 |
| Administration | | |
| Advertising | 1,000,564 | 757,295 |
| Office expenses | 939,224 | 710,869 |
| Contractor costs | 681,677 | 515,940 |
| Information Technology and Infrastructure costs | 1,219,859 | 923,272 |
| Other costs | 182,585 | 138,194 |
| | 4,023,909 | 3,045,570 |

NOTE 6: INCOME TAX

| | 2021 | 2020 |
|--|--------------|--------------|
| | \$ | \$ |
| (a) The major components of income tax expense / (benefit) comprise of: | | |
| Current tax benefit | - | - |
| Deferred tax benefit | - | - |
| | - | - |
| (b) Reconciliation of prima facie tax on continuing operations to income tax expense / (benefit): | | |
| Profit / (loss) before tax for the year | (21,930,396) | (17,617,120) |
| Prima facie income tax payable on profit before income tax at: | | |
| - 26.00% (Australia) | (1,333,814) | (3,527,884) |
| - 28.00% (New Zealand) | (1,245,024) | (314,807) |
| - 21.00% (US) | (3,058,814) | (688,506) |
| - 17.00% (Singapore) | (64,250) | 1,116 |
| - 30.00% (India) | - | 402 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
Adjustments for:

| | | |
|--|-----------|-----------|
| Entertainment | 6,750 | 5,175 |
| Cash Flow Boost Income | - | (13,750) |
| Share-based payments | 493,195 | 688,921 |
| Change in Corporate Tax Rate | 23 | |
| R&D tax incentive classified as income | (895,747) | (657,289) |
| Non-deductible expenditure | 17,739 | 2,348,289 |
| Foreign Tax Rate Differential | 514,703 | |
| Offset against DTL/DTA not recognised | 5,565,239 | 2,158,332 |
| Income tax expense attributable to profit | - | - |

(c) Deferred taxes
Deferred tax asset balance comprises:

| | | |
|---------------------------------------|--------------|-------------|
| Tax losses | 12,591,316 | 8,307,495 |
| Plant & Equipment | 1,306,232 | 117,481 |
| Provisions & Accruals | 651,674 | 291,332 |
| Capital & Business related costs | 689,509 | 397,606 |
| Offset against deferred tax liability | (15,238,731) | (9,113,915) |

Deferred tax liability balances comprises:

| | | |
|---|-----------|----------|
| PPE and Intangible assets | (677,819) | (37,893) |
| Prepayments | (623,141) | (1,002) |
| Offset against deferred tax assets / not recognised | 1,300,960 | 38,895 |
| Net deferred tax asset / (liability) | - | - |

(d) Deferred income tax related to items charged or credited directly to equity

| | | |
|--|-----------|-----------|
| Decrease / (increase) in deferred tax assets | 646,606 | 200,629 |
| Adjust for derecognition / offset of DTA/DTL | (646,606) | (200,629) |
| | - | - |

(e) Deferred tax assets / liabilities not brought to account

| | | |
|--|-------------------|------------------|
| Temporary differences | 1,346,454 | 767,526 |
| Operating tax losses – Australia | 6,830,090 | 6,252,726 |
| Operating tax losses – Other jurisdictions | 5,908,155 | 2,054,769 |
| | 14,084,699 | 9,075,021 |

Total tax losses of \$48,993,248 (2020: \$27,140,094) have not been brought to account for the year ended 30 June 2021.

The tax benefits of the above deferred tax assets, including tax losses, 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 CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
NOTE 7: LOSS PER SHARE

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

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

| | 2021 | 2020 |
|---|---------------|---------------|
| | \$ | \$ |
| Loss used in the calculation of basic and diluted loss per share | (21,930,396) | (17,617,120) |
| Basic and diluted (loss) per share attributable to equity holders (cents Per Share) | (6.00) | (7.48) |
| | Number | Number |
| Weighted average number of ordinary shares outstanding | 365,463,540 | 235,571,555 |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share | 365,463,540 | 235,571,555 |

Options and other potentially dilutive ordinary shares 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.

NOTE 8: CASH AND CASH EQUIVALENTS

| | 2021 | 2020 |
|--|-------------------|------------------|
| | \$ | \$ |
| Cash at bank | 34,933,166 | 5,807,193 |
| Total Cash and Cash Equivalents | 34,933,166 | 5,807,193 |

Cash at bank earns interest at floating rates based on daily bank rates. Refer to note 22 on financial instruments for details on the Company's exposure to risk in respect of its cash balance.

NOTE 9: TRADE AND OTHER RECEIVABLES

| | 2021 | 2020 |
|--|------------------|------------------|
| | \$ | \$ |
| Current: | | |
| Trade receivable | 4,419,657 | 2,336,421 |
| Less provision for expected credit losses | (95,877) | (95,663) |
| | 4,323,780 | 2,240,758 |
| Other current receivables: | | |
| GST receivable | 308,954 | 11,378 |
| Capitalised contract costs | 23,703 | 23,702 |
| R&D Grant receivable | 3,754,287 | 2,403,579 |
| Other receivables | 401,848 | 59,701 |
| Total Current Trade and Other Receivables | 8,812,572 | 4,739,118 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
Non-Current:

| | | |
|--|------------------|------------------|
| Bonds and deposits | 158,833 | 53,156 |
| Total Non-Current Trade and Other Receivables | 158,833 | 53,156 |
| Total Trade and Other Receivables | 8,971,405 | 4,792,274 |

NOTE 10: INVENTORY

| Current: | 2021 | 2020 |
|------------------------|----------------|----------------|
| | \$ | \$ |
| At cost: | | |
| Finished goods | 372,927 | 249,993 |
| Total Inventory | 372,927 | 249,993 |

a) Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 30 June 2021 amounted to \$258,133 (2020: \$351,410). These were included in direct costs.

NOTE 11: INTANGIBLES

| | 2021 | 2020 |
|---|------------------|------------------|
| | \$ | \$ |
| Software at cost | 18,795,242 | 13,759,986 |
| Less: Accumulated amortisation and impairment | (13,756,182) | (12,555,816) |
| Customer lists at cost | 1,273,434 | 339,181 |
| Less: Accumulated amortisation and impairment | (339,180) | (292,174) |
| | 5,973,314 | 1,251,177 |

a) Reconciliation of movements in intangible assets

| Intangible Assets | \$ |
|--|------------------|
| Balance at 1 July 2019 | 4,826,403 |
| Additions | - |
| Impairment expense | - |
| Amortisation expense | (3,575,226) |
| Balance at 30 June 2020 | 1,251,177 |
| Additions arising from business combinations – Customer lists ⁽¹⁾ | 934,253 |
| Additions arising from business combinations – Software ⁽¹⁾ | 5,035,257 |
| Impairment expense | - |
| Amortisation expense | (1,247,373) |
| Balance at 30 June 2021 | 5,973,314 |

(1) Refer to Note 24 for further information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
NOTE 12: PLANT & EQUIPMENT

| | 2021 | 2020 |
|--------------------------------|------------------|------------------|
| | \$ | \$ |
| Plant & equipment – at cost | 4,339,440 | 2,327,301 |
| Less: Accumulated depreciation | (1,575,041) | (786,736) |
| | 2,764,399 | 1,540,565 |

a) Reconciliation of movements in fixed assets

Plant and Equipment

| | \$ |
|--------------------------------|------------------|
| Balance at 1 July 2019 | 682,757 |
| Additions | 1,261,159 |
| Depreciation expense | (403,351) |
| Balance at 30 June 2020 | 1,540,565 |
| Additions | 2,012,139 |
| Depreciation expense | (788,305) |
| Balance at 30 June 2021 | 2,764,399 |

NOTE 13: RIGHT TO USE ASSET AND LEASE LIABILITIES
Lease Assets

| | 2021 | 2020 |
|---|------------------|----------------|
| | \$ | \$ |
| Land and Building – right of use assets | 3,386,241 | 551,411 |
| Less: Accumulated Amortisation | (834,124) | (185,671) |
| | 2,552,117 | 365,740 |

Lease Liabilities
Current

| | 2021 | 2020 |
|-------------------------------|-------------|-------------|
| | \$ | \$ |
| Lease Liability | 590,186 | 225,642 |
| Total Current Lease Liability | 590,186 | 225,642 |

Non-Current

| | | |
|-----------------------------------|------------------|----------------|
| Lease Liability | 2,278,972 | 156,625 |
| Total Non-Current Lease Liability | 2,278,972 | 156,625 |
| Total Lease Liabilities | 2,869,158 | 382,267 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
NOTE 14: TRADE AND OTHER PAYABLES

| | 2021 | 2020 |
|---|-------------------|------------------|
| | \$ | \$ |
| Trade payables ⁽¹⁾ | 2,029,648 | 1,243,818 |
| Accruals & other payables | 4,086,897 | 1,377,489 |
| Share monies received in advance ⁽²⁾ | - | 500,000 |
| Consideration payable | 1,235,018 | |
| Deferred Consideration Payable ⁽³⁾ | 3,499,474 | - |
| Total Trade and Other Payables | 10,851,035 | 3,121,307 |

(1) Current trade payables are non-interest bearing and are normally settled on 30-day terms

(2) FY20 balance relates to share monies which were received in the 30 June 2020 financial year for shares issued during financial year 30 June 2021.

(3) In addition to the initial cash and share consideration paid for the NetRef acquisition, there is deferred consideration to the Vendors of NetRef over the next 6 months. Refer Note 24.

NOTE 15: PROVISIONS

| | 2021 | 2020 |
|----------------------------------|------------------|----------------|
| | \$ | \$ |
| Current: | | |
| Provision for annual leave | 1,136,054 | 596,587 |
| Provision for long service leave | 65,492 | 58,441 |
| Total current provisions | 1,201,546 | 655,028 |
| Non-Current: | | |
| Provision for long service leave | 237,762 | 103,563 |
| Total non-current provisions | 237,762 | 103,563 |
| Total Provisions | 1,439,308 | 758,591 |

NOTE 16: BORROWINGS

| | 2021 | 2020 |
|-------------------------------------|----------------|------------------|
| | \$ | \$ |
| Current: | | |
| R&D Loan Facility ¹ | - | 1,141,322 |
| Interest Payable | - | 131,188 |
| Oracle Loan financing ² | 284,406 | |
| Total Current Borrowings | 284,406 | 1,272,510 |
| Non-Current: | | |
| Oracle Loan financing ² | 157,889 | - |
| Total Non-Current Borrowings | 157,889 | - |

¹ During the prior year, the Company received advance funding on its expected FY2020R&D rebate from Radium Capital. Refer to below for key terms of this funding.

² In the current financial period, Family Zone entered into a payment facility for the acquisition of products and services related to an Oracle project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

a) Reconciliation of movements in R&D Loan Facility, at amortised cost

| R&D Loan Facility | \$ |
|----------------------------------|--------------------|
| Balance at 1 July 2020 | 1,272,510 |
| Drawdowns | - |
| Interest and other finance costs | 56,105 |
| Repayments | <u>(1,328,615)</u> |
| Balance at 30 June 2021 | <u>-</u> |

b) **Key Facility Terms: Oracle Project**

- Counterparty: Oracle Corporation Australia Pty Ltd facilitated by BOQ Finance
- Amount: \$1,002,760
- Final Maturity Date: 31 December 2025. Family Zone has the option to repay earlier without penalties
- Interest Rate: 0% per annum with a service fee of around 10% per invoice
- Security: Unsecured
- Conditions: Nil

Purpose of Loan as per agreement: Wholly for implementation & licencing of the Netsuite ERP

NOTE 17: ISSUED CAPITAL

| | 2021 | 2020 |
|--|---------------------------|---------------------------|
| | Number of | Number of |
| | Shares | Shares |
| Issued Ordinary Shares - no par value (fully paid) | 391,266,604 | 295,543,169 |
| Total | <u>391,266,604</u> | <u>295,543,169</u> |

| | Number of | Value |
|---|---------------------------|--------------------------|
| | Shares | \$ |
| Opening balance – 1 July 2019 | <u>200,627,835</u> | <u>45,567,979</u> |
| Shares issued to the Linewize vendors on conversion of performance shares on 4 September 2019 | 4,500,000 | 742,500 |
| Placement to sophisticated investors - Tranche 1 on 3 October 2019 | 4,903,426 | 686,480 |
| Placement to sophisticated investors - Tranche 2 on 8 November 2019 | 29,025,146 | 4,063,520 |
| Shares issued on conversion of Class B Performance Shares 15 Nov 2019 | 7 | - |
| Shares issued to advisor on 15 November 2019 | 70,255 | 15,807 |
| Shares issued to employees in lieu of cash salary on 2 March 2020 | 1,856,507 | 233,920 |
| Shares issued to Director in lieu of cash salary on 4 May 2020 | 559,991 | 80,000 |
| Placement to sophisticated investors - Tranche 1 on 6 May 2020 | 53,500,002 | 6,420,072 |
| Shares issued to consultants for services provided on 27 May 2020 | 500,000 | 100,000 |
| Less: share issue costs | - | (1,236,704) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| Closing balance – 30 June 2020 | 295,543,169 | 56,673,575 |
|---|--------------------|--------------------|
| Issue of Tranche 2 Placement Shares on 7 July 2020 | 30,833,333 | 3,700,440 |
| Shares issued on exercise of Performance Rights | 6,218,074 | - |
| Shares issued on exercise of Broker and Advisor Options | 7,005,792 | 1,426,184 |
| Shares issued on exercise of Employee Options | 435,034 | 78,306 |
| Issue of Placement Shares - Oct/Nov 2020 | 45,454,545 | 20,000,000 |
| Issue of Share Purchase Plan Shares on 25 Nov 2020 | 4,679,466 | 2,053,505 |
| Issue of Shares to Netsweeper for services rendered on 3 Dec 2020 | 680,680 | 272,272 |
| Shares issued in lieu of cash remuneration or as incentive | 416,511 | 200,080 |
| Shares to be issued - Placement shares May 2021 | - | 23,000,000 |
| Shares to be issued - NetRef Tranche 1 share consideration ¹ | - | 1,235,018 |
| Less: share issue costs | - | (2,586,425) |
| Closing balance – 30 June 2021 | 391,266,604 | 106,052,956 |

¹ The Tranche 1 share consideration was agreed to be issued and fixed on the completion date of the NetRef acquisition, with the shares subsequently issued on 1 July 2021. Refer to Note 24 Business Combination for further details on the NetRef Acquisition.

Capital Management

When managing capital, the Board's objective is to ensure the Group 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 Group.

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

NOTE 18: RESERVES
Nature and Purpose of Share-Based Payment Reserve

The share-based payment reserve records the value of options, performance rights and performance shares issued to the Group's directors, employees, and third parties. The value of the amount disclosed during the year reflects the value of options and performance shares issued by the Group.

| | 2021 | 2020 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Options | 5,548,201 | 5,146,818 |
| Performance Shares | 1,660,671 | 1,660,671 |
| Performance Rights | 4,775,087 | 3,640,704 |
| Total Share-Based Payment Reserve | 11,983,959 | 10,448,193 |

Nature and Purpose of Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| | 2021 | 2020 |
|---|-----------------|-----------------|
| | \$ | \$ |
| Foreign Currency Translation Reserve | (66,581) | (12,905) |
| Total Foreign Currency Translation Reserve | (66,581) | (12,905) |

Options outstanding at 30 June 2021

The following options over ordinary shares of the Company existed at reporting date:

| Grant Date | Expiry Date | Exercise Price | Balance at start of Year (number) | Granted During the Year (number) | Exercised during the year (number) | Forfeited during the year (number) | Balance at year end (number) | Vested and exercisable at year end (number) |
|--------------|-------------|----------------|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|------------------------------|---|
| 4/12/2017 | 4/12/2020 | \$0.50 | 850,000 | - | - | (850,000) | - | - |
| 4/12/2017 | 4/12/2020 | \$0.60 | 850,000 | - | - | (850,000) | - | - |
| 9/04/2018 | 9/04/2021 | \$0.75 | 516,765 | - | - | (516,765) | - | - |
| 9/04/2018 | 9/04/2021 | \$0.90 | 516,765 | - | - | (516,765) | - | - |
| 29/08/2018 | 29/08/2020 | \$0.60 | 500,000 | - | - | (500,000) | - | - |
| 11/03/2019 | 11/03/2022 | \$0.25 | 250,000 | - | - | - | 250,000 | 250,000 |
| 18/03/2019 | 18/03/2022 | \$0.18 | 1,972,889 | 25,399 | (435,034) | (32,312) | 1,530,942 | 1,530,942 |
| 21/05/2019 | 21/05/2022 | \$0.235 | 898,692 | - | (898,692) | - | - | - |
| 8/11/2019 | 8/11/2022 | \$0.21 | 3,852,100 | - | (1,257,100) | - | 2,595,000 | 2,595,000 |
| 8/11/2019 | 8/11/2022 | \$0.21 | 3,000,000 | - | - | - | 3,000,000 | 2,500,000 |
| 29/04/2020 | 29/04/2023 | \$0.21 | 500,000 | - | - | - | 500,000 | 500,000 |
| 09/06/2021 | 30/06/2025 | \$0.50 | - | 4,500,000 | - | - | 4,500,000 | - |
| 30/06/2020 | 7/07/2023 | \$0.21 | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 |
| 30/06/2020 | 7/07/2023 | \$0.18 | 2,000,000 | - | (1,550,000) | - | 450,000 | 450,000 |
| 30/06/2020 | 13/07/2023 | \$0.18 | 2,000,000 | - | (2,000,000) | - | - | - |
| 30/06/2020 | 13/07/2023 | \$0.24 | 2,000,000 | - | (1,300,000) | - | 700,000 | 700,000 |
| 27/08/2020 | 13/07/2023 | \$0.18 | - | 500,000 | - | - | 500,000 | 500,000 |
| Total | | | 20,707,211 | 5,025,399 | (7,440,826) | (3,265,842) | 15,025,942 | 10,025,942 |

Reconciliation of movement in option reserve:

| | Number of Options | Value \$ |
|---|--------------------------|------------------|
| Opening Balance - 1 July 2019 | 23,824,647 | 3,746,356 |
| Options issued for capital raising services and strategic advisory services | 9,852,100 | 1,062,579 |
| Share based payment expense in respect to employee options on issue as at 1 July 2019 | - | 104,123 |
| Share based payment expense in respect to Director options granted during the year | 4,000,000 | 186,227 |
| Share based payment expense in respect to Company Secretary options granted during the year | 500,000 | 47,532 |
| Exercised during the year | - | - |
| Forfeited during the year | (17,469,536) | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| | | |
|---|-------------------|------------------|
| Closing Balance – 30 June 2020 | 20,707,211 | 5,146,818 |
| Options issued for capital raising services and strategic advisory services ^(a) | 500,000 | 222,426 |
| Options re-issued due to administrative error ^(b) | 25,399 | - |
| Options issued to Peter Pawlowitsch and Tim Levy approved at the general meeting ^(c) | 4,500,000 | 39,116 |
| Share based payment expense for employee options on issue as at 1 July 2020 | - | 46,530 |
| Share based payment expense in respect to Director options on issue as at 1 July 2020 | - | 170,301 |
| Exercised during the period | (7,440,826) | - |
| Lapsed/forfeited during the period | (3,265,842) | (76,988) |
| Closing Balance – 30 June 2021 | 15,025,942 | 5,548,202 |

(a) On 8 August 2020, 500,000 options were issued to a corporate advisor in relation to services provided. These options expire on 13 July 2023 and exercise price of \$0.18 per option vesting immediately (**Advisor Options**).

The Advisor Options were valued using the Black-Scholes option pricing model. Please refer to the Share Based Payment Note 20 (1. Broker & Advisor Options) for a summary of the key inputs used in this valuation.

(b) On 26 November 2020, 25,399 options (\$0.18, 15 March 2022) were re-issued to replace the 25,399 options which were incorrectly cancelled due to an administrative error in FY20.

(c) On 9 June 2021, a total of 4,500,000 Director Options (**Director Options**) were issued to non-executive Chairman Peter Pawlowitsch and Managing Director Tim Levy for services to be provided. These options expire on 30 June 2025 and exercise price of \$0.50 per option with various vesting conditions associated with the Director Options. Refer to Note 20: Share based payments for further details as to the basis of valuation of Director Options and their assessed fair value.

Performances shares outstanding at 30 June 2021

The following performance shares of the Company existed at reporting date. On achievement of the performance milestones attaching to the class of performance shares, the performance shares automatically convert into fully paid ordinary shares for nil consideration.

| Class | Grant Date | Expiry Date | Balance at start of Year (number) | Granted During the Year (number) | Converted during the year (number) | Forfeited during the year (number) | Balance at year end (number) |
|-------|------------|-------------|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|------------------------------|
| H | 29/11/2017 | 29/11/2022 | 3,000,000 | - | - | - | 3,000,000 |

The Class H Performance Shares were issued in part consideration for the Linewize acquisition. The Performance Shares convert into Shares on a one for one basis subject to the achievement of various performance targets and have been reported as contingent consideration for the acquisition, consistent with the disclosure in the 30 June 2019 Annual Report.

Reconciliation of movement in performance share reserve:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| | Number of Performance Shares | Value \$ |
|--|------------------------------------|------------------|
| Opening Balance - 1 July 2019 | 28,499,997 | 1,587,602 |
| Share-based payment expense for the year in respect to Performance Shares on issue as at 1 July 2019 | - | 73,069 |
| Performance Shares converted into ordinary shares on achievement of performance milestone ⁽²⁾ | (4,500,000) | - |
| Performance Shares lapsed during the period ⁽¹⁾ | (20,999,997) | - |
| Closing Balance – 30 June 2020 | 3,000,000 | 1,660,671 |
| Closing Balance – 30 June 2021 | 3,000,000 | 1,660,671 |

- (1) The Class B Performance Shares converted into ordinary shares on a one for one basis on the achievement of a vesting condition in FY2020. The vesting condition for the conversion of the Class B Performance Shares on a one for one basis was assessed as unlikely to be met as at 30 June 2019. The share-based payment expensed to date in respect to these Class B Performance Shares was therefore reversed in the prior period. Following, consolidation, conversion and cancellation of the 10,499,999 Class B Performance shares, 7 ordinary shares were issued on 8 November 2019, as disclosed in Note 17.
- (2) Class F and Class G Performance Shares were issued as part of the acquisition of Linewize Services Limited in the 30 June 2017. Class F and Class G Performance Shares converted to fully paid ordinary shares in the previous reporting period upon achievement of their relevant performance target, consistent with the Linewize disclosures in the 30 June 2019 Annual Report.

Performance Rights outstanding as at 30 June 2021

The following Performance Rights of the Company existed at reporting date:

| Grant Date | Expiry Date | Exercise Price | Balance at start of Year (number) | Granted During the Year (number) ¹ | Exercised during the Year (number) ² | Forfeited during the Year (number) ³ | Balance at Year end (number) | Vested and exercisable at Year end (number) |
|------------|-------------|----------------|-----------------------------------|---|---|---|------------------------------|---|
| 4/12/2017 | 4/12/2020 | Nil | 1,775,007 | - | (166,670) | (1,608,337) | - | - |
| 17/04/2019 | 17/04/2022 | Nil | 1,805,196 | - | (195,556) | - | 1,609,640 | 1,609,640 |
| 9/09/2019 | 09/09/2022 | Nil | 700,000 | - | (600,000) | - | 100,000 | 100,000 |
| 2/03/2020 | 2/03/2024 | Nil | 3,125,000 | - | - | (3,125,000) | - | - |
| 2/03/2020 | 2/03/2023 | Nil | 2,049,428 | - | (410,714) | - | 1,638,714 | 1,638,714 |
| 2/03/2020 | 2/03/2024 | Nil | 3,936,541 | - | (281,134) | (399,801) | 3,255,606 | 907,836 |
| 1/05/2020 | 2/03/2024 | Nil | 2,500,000 | - | - | (2,500,000) | - | - |
| 1/05/2020 | 1/05/2024 | Nil | 1,000,000 | - | - | - | 1,000,000 | 600,000 |
| 1/05/2020 | 4/05/2024 | Nil | 600,000 | - | - | - | 600,000 | 200,000 |
| 1/05/2020 | 7/07/2023 | Nil | 500,000 | - | (500,000) | - | - | - |
| 4/05/2020 | 04/05/2023 | Nil | 1,885,715 | - | - | - | 1,885,715 | 1,885,715 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| | | | | | | | | |
|--------------|------------|-----|-------------------|-------------------|--------------------|--------------------|-------------------|-------------------|
| 30/06/2020 | 7/07/2023 | Nil | 5,000,000 | - | (4,000,000) | - | 1,000,000 | - |
| 30/06/2020 | 7/07/2023 | Nil | - | 350,000 | - | (350,000) | - | - |
| 1/07/2020 | 13/07/2023 | Nil | - | 4,500,000 | - | - | 4,500,000 | 3,550,000 |
| 07/07/2020 | 02/03/2023 | Nil | - | 1,242,857 | - | - | 1,242,857 | 414,286 |
| 19/10/2020 | 19/10/2023 | Nil | - | 64,000 | (64,000) | - | - | - |
| 19/10/2020 | 19/10/2024 | Nil | - | 96,000 | - | - | 96,000 | - |
| 19/02/2021 | 12/03/2024 | Nil | - | 936,572 | - | - | 936,572 | - |
| 19/02/2021 | 13/04/2024 | Nil | - | 399,628 | - | - | 399,628 | - |
| 15/02/2021 | 15/12/2021 | Nil | - | 35,007 | - | - | 35,007 | 35,007 |
| 31/03/2021 | 2/03/2024 | Nil | - | 250,000 | - | (250,000) | - | - |
| 29/04/2021 | 02/03/2024 | Nil | - | 15,000 | - | - | 15,000 | 5,000 |
| 09/06/2021 | 30/06/2024 | Nil | - | 4,000,000 | - | - | 4,000,000 | - |
| 09/06/2021 | 30/06/2025 | Nil | - | 3,000,000 | - | - | 3,000,000 | - |
| Total | | | 24,876,887 | 14,889,064 | (6,218,074) | (8,233,138) | 25,314,739 | 10,946,198 |

- (1) *The following Performance Rights were granted during the year under the Company's Performance Rights Plan:*
- 498,635 Remuneration Performance Rights were issued to employees and consultants as security based remuneration comprising various tranches*
 - 2,290,429 Employee Performance Rights were issued to employees as security based remuneration comprising classes*
 - 350,000 US Performance Rights were issued to employees as security based remuneration.*
 - 4,500,000 Incentive Performance Rights were issued to the new executives as security based remuneration.*
 - At the general meeting held on 9 June 2021, shareholders approved the issue of the 4,000,000 STI and 3,000,000 LTI Performance Rights to Tim Levy and Crispin Swan.*
- (2) *The following Performance Rights were exercised during the period under the Company's Performance Rights Plan:*
- 166,670 Class D Performance Rights.*
 - 195,556 Class G Performance Rights.*
 - 974,714 Remuneration Performance Rights*
 - 281,134 Employee Performance Rights*
 - 600,000 US Performance rights.*
 - 4,000,000 SP Performance Rights*
- (3) *The following Performance Rights have lapsed during the year:*
- 1,108,337 Class C Performance Rights, 166,670 Class D Performance Rights, 333,330 Class F Performance Rights.*
 - 399,801 Employee Performance Rights.*
 - 350,000 US Performance Rights.*
 - 5,875,000 Executive Performance Rights.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

Reconciliation on movement in performance right reserve:

| | Number of Performance Rights | Value \$ |
|---|---|---------------------|
| Opening Balance - 1 July 2019 | 5,355,197 | 2,120,938 |
| Performance Rights granted during the year | 21,956,684 | 994,592 |
| Performance Rights expense recognised for the current year | - | 546,007 |
| Reversal of share based payment expense as vesting conditions are not met | - | (20,833) |
| Performance Rights lapsed and cancelled during the year | (2,434,994) | - |
| Closing Balance - 30 June 2020 | 24,876,887 | 3,640,704 |
| Performance Rights granted during the year | 14,874,129 | 1,603,016 |
| Performance Rights expense recognised for the current year | - | 763,745 |
| Performance rights exercised during the year | (6,218,074) | - |
| Reversal of share based payment expense as vesting conditions are not met | (9,233,138) | (1,232,378) |
| Closing Balance - 30 June 2021 | 25,314,739 | 4,775,087 |

These Performance Rights have been valued at grant date and each class of Performance Rights are being expensed over the vesting period.

| Performance Rights | Valuation Date | Vesting Date (Expected) | Fair Value at Grant Date | Balance as at 30 June 2021 (Number) | Total Expense for the year |
|---|-----------------------|--------------------------------|---------------------------------|--|-----------------------------------|
| Class C Performance Rights ³ | 4/12/2017 | 29/08/2020 | \$0.68 | - | (\$893,070) |
| Class F Performance Rights ³ | 4/12/2017 | 29/08/2020 | \$0.68 | - | (\$210,358) |
| Executive Performance Rights – Executives - lapsing | 02/03/2020 | 30/06/2021 | \$0.11 | - | (\$85,052) |
| Executive Performance Rights – Director – lapsing | 04/05/2020 | 30/06/2021 | \$0.13 | - | (\$43,898) |
| Class G Performance Rights | 17/04/2019 | 17/04/2020 | \$0.23 | 1,609,640 | - |
| TL SP Performance Rights | | | | | |
| Class A TL SP Performance Rights | 01/05/2020 | 1/05/2023 | \$0.11 | 100,000 | \$8,398 |
| Class B TL SP Performance Rights | 01/05/2020 | 1/05/2023 | \$0.10 | 200,000 | \$15,270 |
| Class C TL SP Performance Rights | 01/05/2020 | 1/05/2023 | \$0.09 | 300,000 | \$25,264 |
| Class D TL SP Performance Rights | 01/05/2020 | 1/05/2023 | \$0.08 | 400,000 | \$10,562 |
| MS SP Performance Rights | | | | | |
| Class C MS SP Performance Rights | 30/06/2020 | 31/12/2020 | \$0.10 | - | \$101,000 |
| Class D MS SP Performance Rights | 30/06/2020 | 31/12/2020 | \$0.06 | - | \$64,000 |
| Class E MS SP Performance Rights | 30/06/2020 | 30/06/2022 | \$0.03 | 1,000,000 | \$14,136 |
| Employee Performance Rights | 02/03/2020 | Note 1 | \$0.11 | 4,409,463 | \$227,238 |
| Employee Performance Rights - Directors | 01/05/2020 | Note 1 | \$0.13 | 600,000 | \$43,535 |
| Remuneration Performance Rights | 02/03/2020 | 2/09/2020 | \$0.11 | 1,638,714 | \$66,836 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| Performance Rights | Valuation Date | Vesting Date (Expected) | Fair Value at Grant Date | Balance as at 30 June 2021 (Number) | Total Expense for the year |
|---|----------------|-------------------------|--------------------------|-------------------------------------|----------------------------|
| Remuneration Performance Rights – TL and CS | 04/05/2020 | 4/11/2020 | \$0.13 | 1,885,715 | \$161,926 |
| Remuneration Performance Rights – MS | 30/06/2020 | 30/06/2021 | \$0.12 | - | \$77,935 |
| Incentive Performance Rights ² | 01/07/2020 | Note 2 | \$0.23 | 4,500,000 | \$961,769 |
| Class A2 Employee Performance Rights | 19/02/2021 | 12/03/2022 | \$0.50 | 345,524 | \$59,079 |
| Class B2 Employee Performance Rights | 19/02/2021 | 12/03/2023 | \$0.50 | 345,524 | \$30,366 |
| Class C2 Employee Performance Rights | 19/02/2021 | 12/03/2024 | \$0.50 | 245,524 | \$14,507 |
| Remuneration Performance Rights - T3 | 19/02/2021 | 31/07/2021 | \$0.50 | 384,628 | \$159,197 |
| Remuneration Performance Rights - T4 | 19/02/2021 | 31/07/2021 | \$0.50 | 15,000 | \$6,208 |
| Remuneration Performance Rights - T5 | 15/02/2021 | 15/05/2021 | \$0.45 | 35,007 | \$15,750 |
| STI 2022 Performance Rights | 09/06/2021 | 30/06/2022 | \$0.58 | 2,000,000 | \$63,109 |
| STI 2023 Performance Rights | 09/06/2021 | 30/06/2023 | \$0.58 | 2,000,000 | \$32,437 |
| LTI Performance Rights | 09/06/2021 | 30/06/2023 | \$0.58 | 3,000,000 | \$48,655 |
| Class A Employee Performance Rights - US | 30/06/2020 | 02/03/2021 | \$0.195 | 414,286 | \$80,785 |
| Class B Employee Performance Rights - US | 30/06/2020 | 02/03/2022 | \$0.195 | 414,286 | \$48,472 |
| Class C Employee Performance Rights - US | 30/06/2020 | 02/03/2023 | \$0.195 | 414,286 | \$30,326 |
| Total | | | | 25,314,739 | \$1,134,383 |

- (1) One third of the Employee Performance Rights vest one year from issue date (Class A), one third of the Employee Performance Rights vest two years from issue date (Class B) and one third of the Employee Performance Rights vest three years from issue date (Class C).
- (2) The Incentive Performance Rights comprise the Class A Incentive Performance Rights, Class B Incentive Performance Rights and Class C Incentive Performance Rights. Refer to table below for further details on vesting conditions of each class.
- (3) All previously recognised expense in relation to these tranches was reversed in full in the current year as the rights lapsed during the vesting period.

The Performance Rights 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:

| Performance Rights | Vesting Condition | Milestone Date |
|------------------------------|--|----------------|
| Class C Performance Rights | Achievement of \$20,000,000 revenue by the Group over a 12 month rolling period of which 30% is subscription income | 29 August 2020 |
| Class F Performance Rights | Achievement of \$20,000,000 revenue by the Company over a 12 month rolling period of which 30% is subscription income | 29 August 2020 |
| Class G Performance Rights | Continued employment with the Company in existing role from issue date until the Milestone Date | 1 Jan 2020 |
| Executive Performance Rights | The achievement of ARR ¹ of \$3.6m by the Milestone Date (being 90% of targeted QRR of \$4million) ² | 30 June 2021 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| Performance Rights | Vesting Condition | Milestone Date |
|--|--|--------------------------|
| <i>TL SP Performance Rights</i> | | |
| Class A TL SP Performance Rights | The 30 day VWAP of the Company's Shares being greater than \$0.25 prior to the Milestone Date | 3 years from issue date |
| Class B TL SP Performance Rights | The 30 day VWAP of the Company's Shares being greater than \$0.35 prior to the Milestone Date | 3 years from issue date |
| Class C TL SP Performance Rights | The 30 day VWAP of the Company's Shares being greater than \$0.45 prior to the Milestone Date | 3 years from issue date |
| Class D TL SP Performance Rights | The 30 day VWAP of the Company's Shares being greater than \$0.60 prior to the Milestone Date | 3 years from issue date |
| <i>MS SP Performance Rights</i> | | |
| Class C MS SP Performance Rights | The 30 day VWAP of the Company's Shares being greater than \$0.24 prior to the Milestone Date | 1 year from issue date. |
| Class D MS SP Performance Rights | The 30 day VWAP of the Company's Shares being greater than \$0.36 prior to the Milestone Date | 2 year from issue date. |
| Class E MS SP Performance Rights | The 30 day VWAP of the Company's Shares being greater \$0.60 prior to the Milestone Date | 2 year from issue date. |
| Class A Employee Performance Rights | Continued employment with the Company in existing role from issue date until the Milestone Date | 1 year from issue date. |
| Class B Employee Performance Rights | Continued employment with the Company in existing role from issue date until the Milestone Date | 2 year from issue date. |
| Class C Employee Performance Rights | Continued employment with the Company in existing role from issue date until the Milestone Date | 3 year from issue date. |
| Remuneration Performance Rights | Continued employment with the Company in existing role from issue date until the Milestone Date | 6 months from issue date |
| Remuneration Performance Rights - T3 | Continued employment with the Company in existing role from issue date until the Milestone Date | 12 Sept 2021 |
| Remuneration Performance Rights - T4 | Continued employment with the Company in existing role from issue date until the Milestone Date | 9 Oct 2021 |
| Remuneration Performance Rights- T5 | Vest following continued engagement under the Consultancy Agreement until Milestone Date. | 15 May 2021 |
| Class A Incentive Performance Rights | Vest upon the Company achieving \$200,000 of revenue within 2 years from acquisition date of Cyber Education Pty Ltd | 30 June 2022 |
| Class B Incentive Performance Rights | Vest upon the Company achieving \$400,000 of revenue within 2 years from acquisition date of Cyber Education Pty Ltd | 30 June 2022 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| Performance Rights | Vesting Condition | Milestone Date |
|--------------------------------------|--|-----------------------|
| Class C Incentive Performance Rights | Vest upon the Company achieving \$600,000 of revenue within 2 years from acquisition date of Cyber Education Pty Ltd | 30 June 2022 |
| STI 2022 Performance Rights | <p>a. <u>Continued employment</u> until 30 June 2022;</p> <p>b. Receive a positive <u>Personal Scorecard</u> for the financial year ended 30 June 2022 from the Board for performance over the previous 12 months, 50% of the STI 2022 Performance Rights shall vest;</p> <p>c. <u>QRR Growth</u> - If the Company achieves 50% growth in Quarterly Recurring Revenue (QRR) from 1 April 2022 to 30 June 2022 compared to the corresponding period in the previous year, 60% of the remaining 50% of the STI 2022 Performance Rights shall vest, with straight line pro- rata vesting for additional percentages of QRR Growth up to 100% from 1 April 2022 to 30 June 2022 compared to the corresponding period in the previous year.</p> | 30 June 2022 |
| STI 2023 Performance Rights | <p>a. <u>Continued employment</u> until 30 June 2023;</p> <p>b. Receive a positive <u>Personal Scorecard</u> for the financial year ended 30 June 2023 from the Board for performance over the previous 12 months, 50% of the STI 2023 Performance Rights shall vest;</p> <p>c. <u>QRR Growth</u> - If the Company achieves 40% growth in Quarterly Recurring Revenue (QRR) from 1 April 2023 to 30 June 2023 compared to the corresponding period in the previous year, 50% of the remaining 50% of the STI 2023 Performance Rights shall vest, with straight line pro- rata vesting for additional percentages of QRR Growth up to 100% from 1 April 2023 to 30 June 2023 compared to the corresponding period in the previous year.</p> | 30 June 2023 |
| LTI 2023 Performance Rights | <p>150,000 LTI Performance Rights (per holder) shall vest subject to the achievement of each of the Operational Milestone outlined below, which are linked to the following key business Objectives:</p> <p>a. Expand Markets;</p> <p>b. Expand Products;</p> <p>c. Launch Community;</p> <p>d. Make Sustainable;</p> <p>e. Improve Revenue per Student.</p> <p>A maximum of 450,000 LTI Performance rights (per holder) can vest per business objective.</p> <p><i>Refer below for further breakdown of the milestones for each of the conditions noted above.</i></p> | 30 June 2023 |

Note:

- Other than the Executive Performance Rights, all Performance Rights will vest on achievement of the Vesting Condition by the Milestone Date.
- In regard to the Executive Performance, if the QRR is \$5m or more, 100% of the Executive Performance Rights held will vest
OR
If the QRR is less than \$5m, the number of Executive Performance Rights vesting is determined based on this formula:

$$[\text{QRR at the Milestone Date} / \$4\text{m}] \times [(\text{Number Executive Performance Rights held}) \times (100/125)]$$
On 30 June 2021 the QRR hurdle was not met and the performance rights lapsed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| Objective | Operational Milestones |
|------------------------------|--|
| Expand Markets | <ul style="list-style-type: none"> Achieving revenue of greater than \$500,000 in total prior to 30 June 2023 in a market other than USA, Australia or New Zealand. |
| Expand Products | <ul style="list-style-type: none"> Launch of a new product which generates revenue of greater than \$500,000 in total prior to 30 June 2023. Launch of a new product which achieves 2.5% take-up by School Clients in a particular country. |
| Launch Community | <ul style="list-style-type: none"> Launch of Community in a market outside of Australian and achieve greater than 20% take-up by School Clients. Launch of Community in a market outside of Australian and achieve greater than 30% take-up by School Clients. Launch of Community in a market outside of Australia and achieve 2% of parents within all participating School Clients activating a Consumer Account. Launch of Community in a country outside of Australia and achieve 5% of parents within all participating School Clients activating a Consumer Account |
| Make Sustainable | <ul style="list-style-type: none"> Achieve quarterly average data and hosting costs per student below targets set by the Board Achieve quarterly Service Margin above targets set by the Board. |
| Improve Revenues per Student | <ul style="list-style-type: none"> Achieve Average Revenue Per Student targets set by the Board. |

NOTE 19: ACCUMULATED LOSSES

| | 2021 | 2020 |
|---------------------------------|---------------------|---------------------|
| | \$ | \$ |
| Accumulated Losses | (85,216,910) | (62,702,217) |
| Opening balance | (62,702,217) | (45,085,097) |
| Net loss for the financial year | (21,930,396) | (17,617,120) |
| Total Accumulated Losses | (84,632,613) | (62,702,217) |

NOTE 20: SHARE-BASED PAYMENTS

Share-based payments made during the year ended 30 June 2021 are summarised below:

(a) Recognised Share-Based Payment Expense

| | 2021 | 2020 |
|---|-------------|-------------|
| | \$ | \$ |
| Broker and advisor options issued in lieu of services provided ¹ | 222,426 | 1,062,579 |
| Shares issued to consultants in lieu of services provided ² | 272,272 | 115,807 |
| Shares issued to employees as incentive ² | 200,080 | 233,920 |
| Shares issued to directors in lieu of salary | - | 80,000 |
| Options issued to employees as incentive ³ | 40,670 | 144,030 |
| Options issued to directors as incentive ⁴ | 209,416 | 233,759 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| | | |
|---|------------------|------------------|
| Performance Rights issued to employees for services ⁵ | 1,700,536 | 765,806 |
| Performance Rights issued to directors for services ⁶ | 666,225 | 774,793 |
| Performance Shares issued to employees as incentive and for services ⁷ | - | 73,069 |
| Reversal of SBP expenses as vesting conditions were not met | (1,303,507) | (60,740) |
| Less amounts recognised within equity as a cost of capital raised ¹ | (111,213) | (507,143) |
| | 1,896,905 | 2,915,880 |

1. Broker & Advisor options

During the year 500,000 Advisor Options were granted to corporate advisors in relation to services provided. The fair value of the service could not be reliably measured and therefore, a Black Scholes model was used to determine the value of the options. The inputs have been detailed below:

| | Input |
|--|------------------|
| Grant date | 27 Aug 2020 |
| Underlying share price | \$0.55 |
| Exercise price | \$0.18 |
| Expected volatility | 106% |
| Expiry date (years) | 2.88 |
| Expected dividends | Nil |
| Risk free rate | 0.29% |
| Value per option | \$0.04 |
| Total fair value of the options | \$222,426 |

Of the total fair value of the options, \$112,213 was recognised as expense in the Profit or Loss in respect of advisory services received by the Group. The remaining amount represents consideration for services received in relation to the capital placement occurring during the period and, as such, has been capitalised against equity as cost of capital.

2. Shares issued to employees, directors and consultants in lieu of services provided

During the year the Group issued 680,680 shares to Consultants as consideration for services provided, to the value of \$272,272.

A further 416,511 shares were issued to employees in lieu of their cash salary. The shares issued to employee in the current year have been valued at \$200,080 based on the share price at grant date.

3. Options issued to Employees

| Tranche | Valuation Date | Expiry Date | Exercise Price | Issued during the period | Vested during the period | Total Share-Based Payment Expense for the year (\$) |
|--------------|----------------|-------------|----------------|--------------------------|--------------------------|---|
| 6 | 18/03/2019 | 18/03/2022 | \$0.18 | - | - | \$40,960 ¹ |
| Total | | | | - | - | \$40,960 |

1. Share based payment expense is net of \$5,860 reversal amount for options lapsing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

The valuation for the Employee Options disclosed above have been previously disclosed in prior period financial reports.

4. Options issued to Directors as Incentive

(a) During the FY2020 year, 3,000,000 options (\$0.21, 3 years) were granted to Non-Executive Chairman, Peter Pawlowitsch pursuant to the terms of his appointment for services to be provided. Shareholder approval was obtained 4 November 2019 and the options were issued 8 November 2019. These options (excluding the 1,000,000 tranche options vesting immediately) are subject to various vesting conditions as outlined below:

| Tranche | Vesting Condition | Number | Value Per Option (\$) | Total Value (\$) | Total Share-Based Payment Expense for the year (\$) |
|--------------|---|------------------|-----------------------|------------------|---|
| 2 | The 30 day VWAP of the Company's Shares being greater than \$0.25 | 500,000 | 0.0917 | 45,855 | \$36,023 |
| 3 | The 30 day VWAP of the Company's Shares being greater than \$0.35 | 500,000 | 0.0882 | 44,090 | \$34,636 |
| 4 | The 30 day VWAP of the Company's Shares being greater than \$0.45 | 500,000 | 0.0830 | 41,480 | \$32,586 |
| 5 | The 30 day VWAP of the Company's Shares being greater than \$0.60 | 500,000 | 0.0754 | 37,700 | \$12,555 |
| Total | | 2,000,000 | | 169,125 | \$115,800 |

The fair value of these options have been determined using a Monte Carlo simulation model and disclosed in the 30 June 2020 Annual Report.

(b) During the FY2020 year, 1,000,000 options (\$0.21, 3 years) were granted to non-executive Director Phil Warren. Shareholder approval was obtained 30 June 2020, options were issued 7 July 2020. These options (excluding the 500,000 tranche options vesting immediately) are subject to various vesting conditions, the details of which have been outlined below.

| Tranche | Vesting Condition | Number | Value Per Option (\$) | Total Value (\$) | Total Share-Based Payment Expense for the year (\$) |
|--------------|---|----------------|-----------------------|------------------|---|
| 2 | The 30 day VWAP of the Company's Shares being greater than \$0.25 | 500,000 | 0.1090 | 54,500 | \$54,500 |
| Total | | 500,000 | | 54,500 | \$54,500 |

The fair value of these options have been determined using a Monte Carlo simulation model and disclosed in the 30 June 2020 Annual Report.

(c) New Director Options were granted during the year. 3,000,000 options were granted to non-executive Director Peter Pawlowitsch and 1,500,000 options for Managing Director, Tim Levy for services to be provided, expiring 30 June 2025. Shareholder approval was obtained 9 June 2021, options were issued 1 July 2021. These options are subject to various vesting conditions, the details of which have been outlined below.

| Peter Pawlowitsch | Vesting Condition | Number | Value Per Option | Total Value | Total Share-Based |
|-------------------|-------------------|--------|------------------|-------------|-------------------|
| | | | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| | | | | | Payment Expense for the year (\$) |
|------------------|---|------------------|-------|----------------|--|
| Tranche 1 | The 20 day VWAP of the Company's Shares being greater than \$0.90 | 750,000 | 0.348 | 261,225 | 7,305 |
| Tranche 2 | The 20 day VWAP of the Company's Shares being greater than \$1.45 | 750,000 | 0.314 | 235,725 | 6,592 |
| Tranche 3 | The 20 day VWAP of the Company's Shares being greater than \$1.90 | 1,500,000 | 0.285 | 427,950 | 11,967 |
| Total | | 3,000,000 | | 924,900 | 25,864 |

| Tim Levy | Vesting Condition | Number | Value Per Option | Total Value | Total Share-Based Payment Expense for the year (\$) |
|------------------|---|------------------|-------------------------|--------------------|--|
| Tranche 1 | The 20 day VWAP of the Company's Shares being greater than \$0.90 | 500,000 | 0.348 | 174,150 | 4,870 |
| Tranche 2 | The 20 day VWAP of the Company's Shares being greater than \$1.45 | 500,000 | 0.314 | 157,150 | 4,394 |
| Tranche 3 | The 20 day VWAP of the Company's Shares being greater than \$1.90 | 500,000 | 0.285 | 142,650 | 3,989 |
| Total | | 1,500,000 | | 473,950 | 13,253 |

The fair value of the New Director Options has been determined using a Monte Carlo simulation model using the inputs outlined below:

| | Tranche 1 | Tranche 2 | Tranche 3 |
|------------------------|------------------|------------------|------------------|
| Underlying share price | \$0.58 | \$0.58 | \$0.58 |
| Exercise price | \$0.50 | \$0.50 | \$0.50 |
| Target price | \$0.90 | \$1.45 | \$1.90 |
| Expiry date (years) | 4 | 4 | 4 |
| Expected Volatility | 80% | 80% | 80% |
| Risk free rate | 0.1051% | 0.1051% | 0.1051% |
| Value per option | \$0.348 | \$0.314 | \$0.285 |

A total of \$209,416 share based payment expense was recognised in the Profit or Loss in relation to the Options on issue and issued to Directors in the current year.

5. Performance Rights issued to employees

During the period 1,592,857 Performance Rights were granted to a US based senior executive under the Company's Performance Rights Plan, comprising 350,000 US Performance Rights which vests upon meeting the performance milestone per the table and 1,242,857 Employee Performance Rights which are subject to the service conditions as disclosed in the table below. The Performance Rights granted convert into ordinary shares on a one for one basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| Class of Performance Rights | Number of Performance Rights | Expense recognised during the year (\$) |
|-------------------------------------|-------------------------------------|--|
| US Performance Rights | 350,000 | - |
| Class A Employee Performance Rights | 414,286 | \$80,785 |
| Class B Employee Performance Rights | 414,286 | \$48,472 |
| Class C Employee Performance Rights | 414,285 | \$30,326 |
| TOTAL | 1,592,857 | \$159,583 |

The 350,000 US Performance Rights noted in the table above lapsed during the year as the performance milestone was not met at year end and therefore the expense recognised was reversed.

In addition to the above, 498,645 Remuneration Performance Rights and 1,032,572 Employee Performance Rights were granted to new and existing employees and consultants. These Performance Rights have been valued based on the share price of the Company at the date of approval of the issue of the Performance Rights with a share based payment expense recognised over the vesting period of the Performance Rights. These Performance Rights convert into ordinary shares on a one for one basis subject to the achievement of the vesting conditions as disclosed in Note 18.

| Class of Performance Rights | Number of Performance Rights | Expense recognised during the year (\$) |
|---|-------------------------------------|--|
| Remuneration Performance Rights T3 and T4 | 399,638 | \$165,406 |
| Remuneration Performance Rights - T5 | 35,007 | \$15,750 |
| Employee Performance Rights - Class A2 | 345,524 | \$59,079 |
| Employee Performance Rights - Class B2 | 345,524 | \$30,366 |
| Employee Performance Rights - Class C2 | 245,543 | \$14,507 |
| Remuneration Performance Rights – T2 | 64,000 | \$30,080 |
| Employee Performance Rights – Class A | 32,000 | \$14,080 |
| Employee Performance Rights – Class B | 32,000 | \$4,918 |
| Employee Performance Rights – Class C | 32,000 | \$3,279 |
| TOTAL | 1,531,217 | \$337,464 |

The Company also recognised an expense of \$36,756 in respect to existing Remuneration Performance Rights on issue and an expense of \$204,964 in respect to existing Employee Performance Rights on issue.

The Company also issued 4,500,000 Incentive Performance Rights to new executives under the Company's Performance Rights Plan as an incentive and for remuneration of post-acquisition services rendered. These rights were issued to the previous Director of Cyber Education Pty Ltd who are now employees of Family Zone since the business was acquired on 1 July 2020. Refer Note 24 for further details on the business acquisition.

| Class of Incentive Performance Rights | Number of Consideration Performance Rights | Expense recognised during the period |
|--|---|---|
| Class A Incentive Performance Right | 2,050,000 | \$471,500 |
| Class B Incentive Performance Right | 1,500,000 | \$345,000 |
| Class C Incentive Performance Right | 950,000 | \$145,269 |
| Total | 4,500,000 | \$961,769 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

These Performance Rights were considered to represent the value of the services received over the vesting period. The Performance Rights have been valued based on the share price of the Company at the date of approval of the issue of the Performance Rights with a share based payment expense recognised over the vesting period of the Performance Rights.

6. Performance Rights issued to Directors

The Company issued a number of Performance Rights to executives and Directors as an incentive and as remuneration for services during the current and prior year. The expense recognised in respect of these rights in the current year is as tabled below:

| Performance Rights | Number | Expense for Period |
|---|-------------------|---------------------------|
| MS SP Performance Rights ¹ | 1,000,000 | \$179,136 |
| TL SP Performance Rights ¹ | 1,000,000 | \$59,494 |
| Remuneration Performance Rights - Tim Levy, Crispin Swan ¹ | 1,885,715 | \$161,926 |
| Remuneration Performance Rights - Matthew Stepka ¹ | 500,000 | \$77,935 |
| Employee Performance Rights – Tim Levy and Crispin Swan ¹ | 600,000 | 43,535 |
| STI 2022 Performance Rights | 2,000,000 | \$63,108 |
| STI 2023 Performance Rights | 2,000,000 | \$32,436 |
| LTI 2023 Performance Rights | 3,000,000 | \$48,654 |
| TOTAL | 11,985,715 | \$666,225 |

¹ These performance rights were on issue at 30 June 2020. Refer to the June 2020 Annual Report for the fair value assumptions and vesting conditions attached to these performance rights.

During the year, the Company issued the Performance Rights outlined below to its Executive Directors as an incentive and as remuneration for services. The issue of the Performance Rights was subject to shareholder approval which was obtained on 9 June 2021 and the Performance Rights were issued 30 June 2021.

| Performance Rights | Tim Levy | Crispin Swan |
|-----------------------------|------------------|---------------------|
| STI 2022 Performance Rights | 1,000,000 | 1,000,000 |
| STI 2023 Performance Rights | 1,000,000 | 1,000,000 |
| LTI 2023 Performance Rights | 1,500,000 | 1,500,000 |
| TOTAL | 3,500,000 | 3,500,000 |

The STI 2022 Performance Rights, STI 2023 Performance Rights and LTI Performance Rights issued to Tim Levy and Crispin Swan have been value using the Black & Scholes Option Pricing Model based on the following key assumptions

| Tim Levy | STI 2022 Performance Rights | STI 2023 Performance Rights | LTI Performance Rights | Total |
|-----------------|------------------------------------|------------------------------------|-------------------------------|--------------|
| | <i>Unvested</i> | <i>Unvested</i> | <i>Unvested</i> | |
| Vesting Date | 30-Jun-22 | 30-Jun-23 | 30-Jun-23 | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| | | | | |
|---|------------------|------------------|------------------|--------------------|
| Number of PR issued | 1,000,000 | 1,000,000 | 1,500,000 | 3,500,000 |
| Share price at grant date | \$0.58 | \$0.58 | \$0.58 | |
| Exercise Price | nil | nil | nil | |
| Volatility | 80.00% | 80.00% | 80.00% | |
| Risk Free Rate | 0.11% | 0.11% | 0.11% | |
| Fair value per Performance Right | \$0.58 | \$0.58 | \$0.58 | |
| Total Value of PR | \$580,000 | \$580,000 | \$870,000 | \$2,030,000 |
| Total Expense for Period | \$31,554 | \$16,218 | \$24,327 | \$72,099 |

| Crispin Swan | STI 2022 Performance Rights | STI 2023 Performance Rights | LTI Performance Rights | Total |
|---|--|--|-----------------------------------|--------------------|
| | <i>Unvested</i> | <i>Unvested</i> | <i>Unvested</i> | |
| Vesting Date | 30-Jun-22 | 30-Jun-23 | 30-Jun-23 | |
| Number of PR issued | 1,000,000 | 1,000,000 | 1,500,000 | 3,500,000 |
| Share price at grant date | \$0.58 | \$0.58 | \$0.58 | |
| Exercise Price | nil | nil | nil | |
| Volatility | 80.00% | 80.00% | 80.00% | |
| Risk Free Rate | 0.11% | 0.11% | 0.11% | |
| Fair value per Performance Right | \$0.58 | \$0.58 | \$0.58 | |
| Total Value of PR | \$580,000 | \$580,000 | \$870,000 | \$2,030,000 |
| Total Expense for Period | \$31,554 | \$16,218 | \$24,327 | \$72,099 |

Each of the Performance Rights above will vest when the applicable vesting condition(s) outlined per Note 18.

Management have assessed the probability of achieving the vesting condition, as at reporting date. If it was assessed that the hurdle was likely to be met prior to the expiry date the share based payment expense has been adjusted to reflect a shorter vesting period. Management have assessed non-market hurdles as having a 100% probability of achievement.

All other existing performance rights on issue have continued to be expensed and recognised for the year ended 30 June 2021.

Class C Performance Rights and F Performance Rights have lapsed on 29 August 2020 as vesting conditions were not met. A total of \$893,070 of previous recognised vesting expense for the Class C Performance Rights and a total of \$210,358 of previous recognised vesting expense for the Class F Performance Rights was reversed through the current year statement of profit or loss. The Executive Performance Rights which also had the QRR vesting condition to be met on 30 June 2021 did not vest at year end and as a result, a total of 5,875,000 Executive Rights have lapsed and prior period expense of \$128,950 was also reversed out of the Performance Rights reserves.

7. Performance Shares issued to employees

There were no new Performance Shares issued or lapsed in the current financial period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
NOTE 21: OPERATING CASH FLOW INFORMATION

| | 2021 \$ | 2020 \$ |
|---|---------------------|--------------------|
| Reconciliation of cash flow from operations with loss after income tax | | |
| Loss for the year | (21,930,395) | (17,617,120) |
| <i>Non-cash items</i> | | |
| Share-based payments | 1,896,905 | 2,915,880 |
| Depreciation and amortisation | 2,605,522 | 4,164,248 |
| Revaluation of contingent consideration | 46,190 | 87,582 |
| Interest expense | 111,448 | 31,881 |
| Loan forgiveness ¹ | - | (327,124) |
| <i>Changes in Assets and Liabilities</i> | | |
| Increase / (Decrease) in Trade and Other Payables | 2,898,035 | 938,605 |
| Increase / (Decrease) in Deferred Revenue | 4,272,372 | 2,270,051 |
| (Increase)/ Decrease in Inventory | (122,935) | (92,841) |
| (Increase)/ Decrease in Trade and Other Receivables | (5,935,503) | (855,080) |
| Increase/ (Decrease) in Provisions | 680,716 | 206,944 |
| | (15,477,646) | (8,276,974) |

¹ In FY2020, the Group received funding from the US Small Business Administration agency to provide assistance through COVID-19. This loan had conditions attached, which if met, the loan would be forgiven. At 30 June 2020, all attaching conditions had been met and therefore the loan was forgiven and recognised as other income in the Statement of Profit or Loss and Other Comprehensive Income.

Non-cash financing and investing activities

During the year the Group issued equity securities as payment for services to the value of \$111,213 (2020: \$507,143). These issue costs are not reflected in the Statement of Cashflows.

NOTE 22: FINANCIAL INSTRUMENTS
(a) Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash, receivables, payables and lease liabilities.

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 Group manages its exposure to key financial risks, including interest rate, foreign currency, 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 Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
(c) Categorisation of Financial Instruments

Details of each category in accordance with Australian Accounting Standard AASB 9 *Financial Instruments*, are disclosed either on the face of the Consolidated Statement of Financial Position or in the notes.

(d) Credit Risk
(i) Exposure to Credit Risk

Credit risk is managed on a group basis. Credit risk arises predominantly from credit exposures to customers, including outstanding receivables and committed transactions. The key elements to manage credit risk are; for banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted and for customers to review aged trade debtors on a regular basis. There are no significant concentrations of credit risk through exposure to individual customers.

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

| | 2021 \$ | 2020 \$ |
|-------------------------------|-------------------|-------------------|
| Financial Assets | | |
| Cash and cash equivalents | 34,933,166 | 5,807,193 |
| Trade and other receivables | 8,971,405 | 4,739,118 |
| Total Financial Assets | 43,904,571 | 10,546,311 |

Financial assets as at 30 June 2021 are not impaired (excluding the provision for expected credit loss totalling \$95,877). The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Refer to Note 3(c), (d) for the Group's accounting policy and Note 9 for further details on the Group's Trade and other receivables balance.

(ii) Interest Rate Risk

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

| | Range of Effective Interest Rate (%) | Carrying Amount \$ | Interest Rate Exposure | | | Total \$ |
|------------------------------|--------------------------------------|--------------------|---------------------------|-------------------------|------------------------|------------|
| | | | Variable Interest Rate \$ | Non Interest Bearing \$ | Fixed Interest Rate \$ | |
| 2021 | | | | | | |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 0 – 1 | 34,933,166 | 34,933,166 | - | - | 34,933,166 |
| Financial Liabilities | | | | | | |
| Borrowings | 0 | 442,295 | - | 442,295 | - | 442,295 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
2020
Financial Assets

| | | | | | | |
|---------------------------|-------|-----------|-----------|---|---|------------------|
| Cash and cash equivalents | 0 – 1 | 5,807,193 | 5,807,193 | - | - | 5,807,193 |
|---------------------------|-------|-----------|-----------|---|---|------------------|

Financial Liabilities

| | | | | | | |
|------------|----|-----------|---|---|-----------|------------------|
| Borrowings | 14 | 1,272,510 | - | - | 1,272,510 | 1,272,510 |
|------------|----|-----------|---|---|-----------|------------------|

(e) Fair value of Financial Instruments

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

| | 2021 | 2020 |
|------------------------------------|-------------------|------------------|
| | \$ | \$ |
| Financial Liabilities | | |
| Trade and other payables | 10,127,135 | 1,973,621 |
| Borrowings | 442,295 | 1,272,510 |
| Lease liabilities | 2,869,158 | 225,642 |
| Total financial liabilities | 14,438,588 | 3,471,773 |

(ii) Contractual Maturity Risk

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

| 2021 | 0-6 months | 6-12 months | Over 1 to 5 | More than 5 | Total |
|-------------------------------|-------------------|--------------------|--------------------|--------------------|-------------------|
| Financial Instrument | \$ | \$ | years | years | \$ |
| | \$ | \$ | \$ | \$ | \$ |
| Financial Assets | | | | | |
| Cash | 34,933,166 | - | - | - | 34,933,166 |
| Trade and other receivables | 8,971,405 | - | - | - | 8,971,405 |
| Total financial assets | 43,904,571 | - | - | - | 43,904,571 |
| Financial Liabilities | | | | | |
| Trade and other payables | 10,127,135 | - | - | - | 10,127,135 |
| Borrowings | 284,406 | - | 157,889 | - | 442,295 |
| Lease liabilities | 439,891 | 485,073 | 2,866,452 | - | 3,791,416 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| Total financial liabilities | 10,851,432 | 485,073 | 3,024,341 | - | 14,360,846 |
|------------------------------------|----------------------|-----------------------|-----------------------------|-----------------------------|-------------------|
| 2020 Financial Instrument | 0-6 months \$ | 6-12 months \$ | Over 1 to 5 years \$ | More than 5 years \$ | Total \$ |
| Financial Assets | | | | | |
| Cash | 5,807,193 | - | - | - | 5,807,193 |
| Trade and other receivables | 4,739,118 | - | 53,156 | - | 4,792,274 |
| Total financial assets | 10,546,311 | - | 53,156 | - | 10,599,467 |
| Financial Liabilities | | | | | |
| Trade and other payables | 1,973,621 | - | - | - | 1,973,621 |
| Borrowings | 1,272,510 | - | - | - | 1,272,510 |
| Lease liabilities | 112,821 | 112,821 | 156,625 | - | 382,267 |
| Total financial liabilities | 3,358,952 | 112,821 | 156,625 | - | 3,628,398 |

(g) Market Risk
(i) Foreign exchange risk

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars was as follow:

| | Value of NZD exposure expressed in AUD | | Value of USD exposure expressed in AUD | |
|--------------------------|---|-------------|---|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net assets (liabilities) | (258,506) | (151,492) | (257,026) | (467,570) |
| Net profit (Loss) | (4,224,956) | (672,896) | (7,434,203) | (2,237,084) |

Foreign Currency sensitivity:

Based on the net liability position of the foreign subsidiaries at 30 June 2021, had the Australian dollar weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, the Group's post-tax loss for the year would have been \$422,496 higher/\$422,496 lower (2020: \$67,290 higher/\$67,290 lower), and the effect on equity would have been \$25,851 higher/\$25,851 lower (2020: \$15,149 higher/\$15,149 lower).

In addition, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax loss for the year would have been \$743,420 higher/\$743,420 lower (2020: \$223,708 higher/\$223,708 lower), and the effect on equity would have been \$25,703 higher/\$25,703 lower (2020: \$46,757 higher/\$46,757 lower).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

(ii) Interest Rate Risk

The Group's only exposure to interest rate risk is on balances held as cash and R&D Loan Facility as set out in Note 22(d)(ii).

(iii) Other Price Risk

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

(iv) Sensitivity Disclosure Analysis

Taking into account past performance, future expectations and economic forecasts, the Group 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, if changes in the relevant risk occur.

| | Carrying Amount \$ | Interest Rate Risk | | | |
|--|--------------------------|---------------------|---------------------|---------------------|---------------------|
| | | +1% Profit \$ | +1% Equity \$ | -1% Profit \$ | -1% Equity \$ |
| 2021 | | | | | |
| Financial Assets - Current | | | | | |
| Cash and cash equivalents | 34,933,166 | 349,332 | 349,332 | (349,332) | (349,332) |
| Trade Receivables | 8,971,405 | - | - | - | - |
| Financial Liabilities - Current | | | | | |
| Trade and other payable | 10,127,135 | - | - | - | - |
| Borrowings | 284,406 | - | - | - | - |
| 2020 | | | | | |
| Financial Assets - Current | | | | | |
| Cash and cash equivalents | 5,807,193 | 58,072 | 58,072 | (58,072) | (58,072) |
| Trade Receivables | 4,739,118 | - | - | - | - |
| Financial Liabilities - Current | | | | | |
| Trade and other payable | 1,973,621 | - | - | - | - |
| Borrowings | 1,272,510 | (12,725) | (12,725) | 12,725 | 12,725 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
(j) Fair value measurement
Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

| Consolidated - 2021 | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------|----------------|----------------|--------------------|--------------------|
| <i>Liabilities</i> | | | | |
| Deferred consideration payable | - | - | (3,499,474) | (3,499,474) |
| Total liabilities | - | - | (3,499,474) | (3,499,474) |

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

| | Deferred Consideration Payable | Total |
|--|---|--------------------|
| Balance at 1 July 2019 | - | - |
| Gains recognised in profit or loss | - | - |
| Gains recognised in other comprehensive income | - | - |
| Balance at 30 June 2020 | - | - |
| Losses recognised in profit or loss | - | - |
| Gains recognised in other comprehensive income | - | - |
| Additions | (3,499,474) | (3,499,474) |
| Balance at 30 June 2021 | (3,499,474) | (3,499,474) |

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

| Description | Unobservable inputs | Sensitivity |
|--------------------------------|----------------------------|---|
| Deferred Consideration Payable | Annual Recurring Revenue | 5% change would increase/decrease fair value by \$378,294 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
NOTE 23: SEGMENT INFORMATION

AASB 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The chief operating decision maker has been identified as the Board of Directors.

The Group has three main operating segments being, information technology (and more specifically the provision of cyber safety services) in Australia, New Zealand and United States of America. The Group also operates in Asia, however this is in the early stages of development, and has been allocated to other. Other also includes head office & corporate expenditure. This is consistent with the internal reporting provided to the chief operating decision maker.

| 30-Jun-21 | Australia | New Zealand | USA | Corporate | Total |
|-----------------------|------------------|--------------------|------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Segment Income | | | | | |
| Sales revenue | 3,048,256 | 977,635 | 4,936,374 | 220 | 8,962,485 |
| Other income | 4,306,202 | 2,743 | - | 4 | 4,308,949 |
| Total Income | 7,354,458 | 980,378 | 4,936,374 | 224 | 13,271,434 |

| 30-Jun-21 | Australia | New Zealand | USA | Corporate | Total |
|--|---------------------|--------------------|--------------------|--------------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Segment Expenses | | | | | |
| Direct Costs | (5,985,077) | (149,714) | (898,682) | - | (7,033,473) |
| Operating expenses | (15,971,727) | (1,157,694) | (5,265,395) | (51,255) | (22,446,071) |
| Research and Development | (1,017,866) | (18,520) | (183,473) | - | (1,219,859) |
| Share-based payments | - | - | - | (1,896,905) | (1,896,905) |
| Loss before depreciation and amortisation | (15,620,212) | (345,550) | (1,411,176) | (1,947,936) | (19,324,874) |
| Depreciation and amortisation | (741,907) | (1,294,538) | (569,077) | - | (2,605,522) |
| Loss before Income Tax | (16,362,119) | (1,640,088) | (1,980,253) | (1,947,936) | (21,930,396) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| 30-Jun-20 | Australia | New Zealand | USA | Corporate | Total |
|-----------------------|------------------|--------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Segment Income | | | | | |
| Sales revenue | 2,687,735 | 984,428 | 1,347,139 | 70,871 | 5,090,173 |
| Other income | 3,061,685 | 4,916 | 309,064 | 27 | 3,375,692 |
| Total Income | 5,749,420 | 989,344 | 1,656,203 | 70,898 | 8,465,865 |

| 30-Jun-20 | Australia | New Zealand | USA | Corporate | Total |
|--|--------------------|--------------------|--------------------|--------------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Segment Expenses | | | | | |
| Direct Costs | (3,480,280) | (170,400) | (874,424) | (19,405) | (4,544,509) |
| Operating expenses | (9,165,513) | (1,330,566) | (2,723,486) | (44,924) | (13,264,489) |
| Research and Development | (1,016,596) | (51,309) | (125,954) | - | (1,193,859) |
| Share-based payments | - | - | - | (2,915,880) | (2,915,880) |
| Loss before depreciation and amortisation | (7,912,969) | (562,931) | (2,067,661) | (2,909,311) | (13,452,872) |
| Depreciation and amortisation | (930,055) | (3,046,686) | (187,505) | - | (4,164,248) |
| Loss before Income Tax | (8,843,024) | (3,609,619) | (2,255,166) | (2,909,311) | (17,617,120) |

| 30-Jun-21 | Australia | New Zealand | USA | Other | Total |
|----------------------------|------------------|--------------------|-------------|--------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Segment Assets | 49,110,470 | 482,595 | 7,898,132 | 21,115 | 57,512,312 |
| Segment Liabilities | (20,012,821) | (741,101) | (8,155,158) | - | (28,909,080) |

| 30-Jun-20 | Australia | New Zealand | USA | Other | Total |
|----------------------------|------------------|--------------------|-------------|--------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Segment Assets | 8,839,091 | 1,618,709 | 3,598,089 | 139,665 | 14,195,554 |
| Segment Liabilities | (5,155,117) | (549,167) | (4,065,659) | (18,965) | (9,788,907) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
NOTE 24: BUSINESS COMBINATIONS

During FY2021, Family Zone entered into acquisitions resulting in business combinations. Refer below for summaries on each acquisition.

(a) Cyber Education Pty Ltd

On 1 July 2020, the Company acquired 100% of the issued fully paid capital of Cyber Education Pty Ltd, a privately owned company operating within the cyber security sphere, for cash consideration of \$100. The key driver for the acquisition was to grow and strengthen the Company cyber safety content and ensure it is able to continue to offer independent expertise and cyber safety solutions to its customers as part of its cyber safety platform.

Since the acquisition the entity has contributed a loss after tax of \$89 which is included within the profit or loss of the Group.

(b) NetRef Acquisition

On 30 June 2021 Family Zone acquired an innovative classroom management technology business, NetRef. The acquisition provides the Group a new and innovative product line plus access to specialist and highly relevant technical and sales experts in the US which will aid in expanding the Company's footprint in the US.

Total purchase consideration was AUD\$5,969,509 which is broken down in three tranches of instalments. The First Tranche Consideration which is paid upfront, is reflected by a cash and share consideration of AUD\$1,235,018 each.

The deferred consideration component is payable on a quarterly basis until December 2021 and is represented by Tranche 2 and 3 Consideration. Tranche 2 Consideration is payable on September 2021 and this is calculated by applying a fixed multiple of 6.5x to the NetRef Business ARR at 30 September 2021, less the First Tranche Consideration. Tranche 3 Consideration calculated by applying a fixed multiple of 6.5x to the Net Ref Business ARR at 31 December 2021 less the First Tranche Consideration and the Second Tranche Consideration. Both Tranche 2 and 3 Consideration is payable 50% in cash and 50% in fully paid ordinary shares.

Details of the purchase consideration, net assets acquired and goodwill are as follows:

i. Purchase consideration

| | \$ |
|---|------------------|
| Ordinary shares to be issued (Tranche 1 share component) ¹ | 1,235,018 |
| Consideration Payable (Tranche 1 cash component) ¹ | 1,235,018 |
| Deferred Consideration Payable (Tranche 2 and 3) | 3,499,474 |
| Total purchase consideration | 5,969,510 |

¹ The fair value of 2,155,354 shares to be issued as part of the Tranche 1 share consideration paid for NetRef of AUD\$1,235,018 (USD\$928,487) was based on Annual Recurring Revenue (ARR) of USD\$470,304 multiplied to a multiple of 6.5, less upfront IT fees of USD\$1.2million, totalling \$USD1.856m. This amount is split 50:50 via cash and shares. Tranche 1 cash and share consideration was settled on 1 July 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

ii. *The assets and liabilities recognised as a result of the acquisition are as follows:*

| | Fair values \$ |
|---|-----------------------|
| Customer Contracts | 934,253 |
| NetRef Technology ¹ | 5,035,257 |
| Prepaid IT Fees | 1,596,169 |
| IT Fees payable | (1,596,169) |
| Net identifiable assets acquired | 5,969,509 |
| Net assets acquired | 5,969,509 |

¹ The fair value of the acquired NetRef technology was determined with reference to a relief from royalty valuation methodology. This required key assumptions to be made around discount rate, royalty rate, and forecast revenue.

The Group has applied provisional accounting on its measurement of its purchase price allocation permitted under AASB 3 *Business Combinations*.

There were no acquisitions in the year ending 30 June 2020.

iii. *Revenue and profit contribution*

The acquired business contributed revenues of \$nil and profit after tax of \$nil to the consolidated entity as at 30 June 2021 noting that the business was acquired on the last day of the financial year.

If the acquisition occurred on 1 July 2020 the full year contributions would have been revenues of \$394,718 and loss before tax of \$1,943,654.

(c) Purchase consideration – cash inflow

| | 2021 | 2020 |
|---|---------------|-------------|
| | \$ | \$ |
| Outflow of cash to acquire subsidiary, net of cash acquired | | |
| Cash consideration | (100) | - |
| Less: Balances acquired | | |
| Cash | 31,499 | - |
| Total balances acquired | 31,499 | - |
| Net inflow of cash – investing activities | 31,399 | - |

Acquisition related costs

Acquisition related costs of \$18,850 that were not directly attributable to the issue of new shares were included in the statement of profit or loss in the reporting period ending 30 June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
NOTE 25: RELATED PARTY TRANSACTIONS
(a) Parent and Subsidiaries

The parent entity and ultimate parent entity of the Group is Family Zone Cyber Safety Limited, a company listed on the Australian Securities Exchange. The components of the Group are:

| | Incorporation | Extent of control | |
|---|---------------|-------------------|------|
| | | 2021 | 2020 |
| Parent | | | |
| Family Zone Cyber Safety Limited | Australia | - | - |
| Controlled entities | | | |
| Family Zone Inc. | USA | 100% | 100% |
| Family Zone Cyber Safety Pte. Ltd. | Singapore | 100% | 100% |
| Family Zone NZ Cyber Safety Ltd (formerly Linewize Service Ltd) | New Zealand | 100% | 100% |
| Cyber Education Pty Ltd | Australia | 100% | - |
| NetRef Education LLC | USA | 100% | - |

(b) 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 Group is as follows:

| | 2021 | 2020 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Short-term employee benefits | 546,000 | 294,281 |
| Post-employment benefits | 58,562 | 44,628 |
| Long service leave | 27,765 | - |
| Share-based payment | 831,744 | 908,863 |
| Total | 1,464,071 | 1,247,772 |

(c) Other Transactions with Key Management Personnel
a) Grange Consulting

Mr Phil Warren, a Director of the Company, is also a Managing Director of Grange Consulting and an entity related to him is shareholder of Grange Consulting. A summary of the total fees paid to Grange Consulting for the year ended 30 June 2021 and 30 June 2020 is as follows:

| | 2021 | 2020 |
|---|---------------|---------------|
| | \$ | \$ |
| Company secretarial and financial management services | 90,403 | 94,839 |
| Total | 90,403 | 94,839 |

\$90,403 was paid to Grange for financial management and company secretarial services for the year ended 30 June 2021. \$4,620 was outstanding and payable to Grange as at 30 June 2021 (2020: \$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021
NOTE 26: AUDITOR'S REMUNERATION

| | 2021 | 2020 |
|--|---------------|---------------|
| | \$ | \$ |
| The auditor of Family Zone Cyber Safety Limited | | |
| <i>Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:</i> | | |
| BDO Audit (WA) Pty Ltd | | |
| - Audit and review services | 71,091 | - |
| BDO Rewards (WA) Pty Ltd – Review of Remuneration Package | 4,250 | - |
| Total remuneration of BDO Audit (WA) Pty Ltd and related firms | 75,341 | - |
| <i>Amounts received or due and receivable by Pitcher Partners for:</i> | | |
| Pitcher Partners BA&A Pty Ltd | 44,516 | 56,096 |
| - Audit and review services | | 56,096 |
| - Non-audit services – Other assurance engagements | - | - |
| Pitcher Partners (WA) Pty Ltd – Taxation | 9,000 | 11,700 |
| Total remuneration of Pitcher Partners BA&A Pty Ltd and related firms | 53,516 | 67,796 |

NOTE 27: COMMITMENTS AND CONTINGENT LIABILITIES

As part of the Cyber Education business combination during the year, the Group is committed to pay commissions to the Sellers of the entity acquired which are dependent on the entity achieving future revenue targets. In addition, profits earned by the acquired entity over a period of 2 years from the date of acquisition will be shared on a 50:50 split between the Group and the Sellers.

The Group has recently received a demand for arbitration from a service provider in respect to claims of a breach of a technology license agreement between the parties and a failure to fully pay royalties under the technology license agreement. It is currently not practical to estimate the potential effect of the claims. The Board believes that the claims do not have merit and that it is not probable that a significant liability will arise. Accordingly, the Directors have not raised a provision in the financial report.

The Group had committed to pay corporate advisory fees of \$850,000 on the successful completion of the Smoothwall acquisition.

The Directors are not aware of any other commitments or any contingent liabilities that may arise from the Group's operations as at 30 June 2021.

NOTE 28: PARENT ENTITY DISCLOSURE

| | 2021 | 2020 |
|---------------------|-------------------|------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | 38,467,544 | 8,430,092 |
| Non-current assets | 3,810,569 | 1,228,902 |
| Total Assets | 42,278,113 | 9,658,994 |

Liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

| | | |
|--------------------------------|---------------------|---------------------|
| Current liabilities | 5,831,611 | 4,599,801 |
| Non-current liabilities | 3,108,780 | 652,547 |
| Total Liabilities | 8,940,391 | 5,252,348 |
| Net Assets/(Deficiency) | 33,337,722 | 4,406,646 |
| Equity | | |
| Issued Capital | 104,817,937 | 56,673,575 |
| Reserves | 11,911,611 | 10,448,193 |
| Accumulated losses | (83,391,826) | (62,715,122) |
| Total Equity | 33,337,722 | 4,406,646 |
| Profit/(Loss) for the year | (21,448,852) | (10,302,656) |
| Total comprehensive income | (21,448,852) | (10,312,251) |

The parent did not have any guarantees, contingent liabilities or commitments as at 30 June 2021 (2020: nil).

NOTE 29: EVENTS OCCURRING AFTER THE REPORTING PERIOD

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Group up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 1 July 2021, the Company announced the issue of 42,990,654 Placement Shares at \$0.535 raising \$23 million.

On 1 July 2021, the Company issued 2,155,354 shares and paid \$1,235,018 cash, comprising the Tranche 1 consideration and cash payable pursuant to the NetRef acquisition agreement.

Smoothwall Acquisition and Equity Raising

On 6 August 2021, the Company announced it had executed a binding offer to acquire Smoothwall, UK's leading provider of K-12 digital safety solutions for £75.5 million (\$142.9 million) cash consideration. The acquisition was to be funded by a fully underwritten institutional placement of \$71.0 million (**Placement**) and pro-rata accelerated non-renounceable entitlement offer of \$75.4 million (**Entitlement Offer**) to raise gross proceeds of \$146.4 million (**Equity Raising**).

Smoothwall, is one of the world's leading providers of digital and safeguarding serviced with a strong market position in the UK and operations in the US. The acquisition creates the world's most compelling K-12 digital safety solution incorporating Family Zone's fast growing Linewize K-12 solutions, FZO' parental controls and Smoothwall's scale and world-leading solutions.

The Placement and institutional component of the Entitlement Offer completed on 9 August 2021 raising \$114.1 million with a further \$24.5 million raised under the retail component of the Entitlement Issue on 25 August 2021. A further \$7.8 million was raised through the placement of the shortfall shares by the Joint Lead Underwriters completing the \$146.4 million capital raising on 30 August 2021. A total of 266,123,291 Shares were issued under Equity Raising at a price of \$0.55 per Share.

The Company completed the acquisition of the Smoothwall business on 16 August 2021. The total purchase consideration was £75.5million (AUD\$142.9 million) in cash, with £65.0 million paid on completion and £10.5 million

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2021

paid on 12 September 2021.

Details of the purchase consideration, net assets acquired and goodwill are as follows:

Purchase consideration

| | |
|-------------------------------------|--------------------|
| | \$ |
| Cash consideration | 142,874,507 |
| | <hr/> |
| Total purchase consideration | 142,874,507 |

The assets and liabilities recognised as a result of the acquisition are as follows:

| | Fair values \$ |
|---|-----------------------|
| Current Assets | |
| Inventory | 227,373 |
| Accrued income | 1,648,261 |
| Trade receivable | 4,818,128 |
| Prepayments and other debtors | 1,101,608 |
| Cash | 1,597,517 |
| | <hr/> |
| | 9,392,887 |
| Non-Current Assets | |
| Fixed assets | 169,615 |
| Intangible assets | 8,091,368 |
| | <hr/> |
| | 8,260,983 |
| Liabilities | |
| Trade payable | (2,021,103) |
| Accruals and other | (2,393,655) |
| Deferred revenue | (29,488,861) |
| Tax payable | (2,309,239) |
| Intercompany | 456,183 |
| | <hr/> |
| | (35,756,675) |
| Net identifiable assets acquired | (18,102,805) |
| | <hr/> |
| Add: Goodwill¹ | 160,977,312 |
| | <hr/> |
| Net assets acquired | 142,874,507 |

¹ The goodwill of \$160,977,312 is attributable to the customer contracts acquired, Monitor technology, workforce, know-how and the expected synergies from merging this business acquired from Family Zone's current operations.

Acquisition related costs

Acquisition related costs of \$2,318,600 will be included in the statement of profit or loss in the reporting period ending 30 June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Smoothwall. In particular the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

On 6 August 2021 the Company issued 887,534 Shares to employees under its Employee Security Incentive Plan.

On 19 August 2021, Family Zone announced it had been awarded a substantial contract, through Smoothwall with Public Sector Broadband Aggregation, the public sector provider of broadband service to Wales in the UK. The 3 year deal has a contract value of ~\$1.4 million.

On 8 September 2021 the Company issued 9,896,453 Performance Rights and 1,747,331 Option comprising:

- 303,924 Remuneration Performance Rights
- 2,312,529 Employee Performance Rights;
- 4,610,000 STI Executive Performance Rights 2022;
- 1,350,000 STI Executive Performance Rights 2023;
- 1,500,000 LTI Performance Rights;
- 1,247,331 Options (\$0.60, 30 June 2025); and
- 500,000 Options (\$0.55, 30 June 2025).

On 10 September 2021 the Company issues 228,889 Shares under its Employee Security Incentive Scheme.

On 16 September the Company issued 244,374 Employee Options (\$0.60, 30 June 2021), 500,000 STI Executive Performance Rights 2022. 500,000 STI Performance Rights 2023 and 2,000,000 LTI 2023 Options (\$0.60, 30 June 2025).

Since the end of the financial year a total of 1,158,798 Shares have been issued following the exercise of 1,158,798 Options with a total of \$208,583 funds received from the exercise of these Options. In addition 69,174 Performance Rights have been exercised for nil consideration.

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

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the accompanying financial statements set out on pages 33 to 87 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 Group's financial position as at 30 June 2021 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 Group 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 2021.

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

On behalf of the Directors



Tim Levy
Managing Director

24 September 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Family Zone Cyber Safety Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Family Zone Cyber Safety Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for the acquisition of the business assets and liabilities of NetRef

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| <p>As disclosed in Note 24 of the financial report, the Group completed the acquisition of the business assets and liabilities of NetRef on 30 June 2021.</p> <p>The acquisition was accounted for in accordance with AASB 3: Business Combinations and was deemed to be a key audit matter given the acquisition was material to the Group and involved significant judgements made by management, including the estimation of the fair value of assets acquired, liabilities assumed and determination of the amount of purchase consideration, which included deferred consideration.</p> <p>Notes 2 and 3 of the financial report disclose the accounting policy for business combinations and the significant judgements and estimates made.</p> | <p>Our audit procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Challenging management’s assessment of the assets acquired and the liabilities assumed constitutes a business as defined in the accounting standards; • Reviewing the business sale agreement to understand the key terms and conditions, and confirming our understanding of the transaction with management; • Agreeing the acquisition date to the date at which the Group obtained control over the business assets and liabilities; • Assessing the identification of intangible assets acquired including software and customer contracts, along with the valuation methodologies used to value those assets; • Assessing the appropriateness of the independent expert to which management has engaged to assess the fair value of specified assets acquired as part of the acquisition; • Evaluating the assumptions and methodology in management’s determination of the fair value of assets and liabilities acquired; and • Assessing the adequacy of the related disclosures in Notes 2, 3 and 24 of the financial report. |

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

The financial report of Family Zone Cyber Safety Limited, for the year ended 30 June 2020 was audited by another auditor who expressed an unmodified opinion on that report on 30 June 2020.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 31 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Family Zone Cyber Safety Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

BDO Audit (WA) Pty Ltd

A stylized, handwritten-style logo of the letters 'BDO' in black ink.

A handwritten signature in black ink that reads 'J Prue'.

Jarrad Prue

Director

Perth, 24 September 2021

ASX ADDITIONAL INFORMATION

Additional information required by the 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 20 September 2021 includes the following securities:

| Equity Class | Number of holders | Total on issue |
|----------------------------|-------------------|----------------|
| Fully paid ordinary shares | 3,420 | 704,913,388 |
| Options | 73 | 17,859,361 |
| Performance Shares | 7 | 3,000,000 |
| Performance Rights | 177 | 41,983,174 |

All issued fully paid ordinary shares (**Shares**) carry one vote per share. Options, Performance Share and Performance Rights do 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 |
|---|-----------------------|-------------------|
| Regal Funds Management Pty Ltd ¹ | 42,874,508 | 11.08% |
| McCusker Holdings Pty Ltd ² | 51,712,631 | 8.00% |

1) Based on substantial holder notice lodged 29 April 2021

2) Based on substantial holder notice lodged 17 August 2021

3. Distribution of equity securities as at 20 September 2021

a) Fully paid ordinary shares

| Holding Ranges | Holders | Total Shares | % Total Shares |
|-------------------------|--------------|--------------------|----------------|
| 1 - 1,000 | 197 | 117,815 | 0.02% |
| 1,001 - 5,000 | 768 | 2,004,401 | 0.28% |
| 5,001 - 10,000 | 418 | 3,260,394 | 0.46% |
| 10,001 - 100,000 | 1,523 | 56,605,595 | 8.03% |
| 100,001 - 9,999,999,999 | 514 | 642,925,183 | 91.21% |
| Totals | 3,420 | 704,913,388 | 100.00% |

There were 87 holders with less than a marketable parcel of Shares based on the share price of \$0.725 on 20 September 2021

b) Options

| Holding Ranges | Holders | Total Options | % Total Options |
|-------------------------|---------|---------------|-----------------|
| 1 - 1,000 | - | - | - |
| 1,001 - 5,000 | 1 | 2,118 | 0.01% |
| 5,001 - 10,000 | 5 | 41,451 | 0.23% |
| 10,001 - 100,000 | 48 | 1,295,456 | 7.25% |
| 100,001 - 9,999,999,999 | 19 | 16,520,336 | 92.50% |

ASX ADDITIONAL INFORMATION
4. Number of holders and voting rights of each class of equity securities

The issued capital of the Company as at 20 September 2021 includes the following securities:

| Equity Class | Number of holders | Total on issue |
|----------------------------|-------------------|----------------|
| Fully paid ordinary shares | 3,420 | 704,913,388 |
| Options | 73 | 17,859,361 |
| Performance Shares | 7 | 3,000,000 |
| Performance Rights | 177 | 41,983,174 |

All issued fully paid ordinary shares (**Shares**) carry one vote per share. Options, Performance Share and Performance Rights do not entitle the holder to vote on any resolution proposed at a general meeting of Shareholders.

5. Substantial holders in the Company

| Substantial Shareholder | Number of Shares held | % of Total Shares |
|---|-----------------------|-------------------|
| Regal Funds Management Pty Ltd ³ | 42,874,508 | 11.08% |
| McCusker Holdings Pty Ltd ⁴ | 51,712,631 | 8.00% |

3) Based on substantial holder notice lodged 29 April 2021

4) Based on substantial holder notice lodged 17 August 2021

6. Distribution of equity securities as at 20 September 2021
c) Fully paid ordinary shares

| Holding Ranges | Holders | Total Shares | % Total Shares |
|-------------------------|--------------|--------------------|----------------|
| 1 - 1,000 | 197 | 117,815 | 0.02% |
| 1,001 - 5,000 | 768 | 2,004,401 | 0.28% |
| 5,001 - 10,000 | 418 | 3,260,394 | 0.46% |
| 10,001 - 100,000 | 1,523 | 56,605,595 | 8.03% |
| 100,001 - 9,999,999,999 | 514 | 642,925,183 | 91.21% |
| Totals | 3,420 | 704,913,388 | 100.00% |

There were 87 holders with less than a marketable parcel of Shares based on the share price of \$0.725 on 20 September 2021

d) Options

| Holding Ranges | Holders | Total Options | % Total Options |
|-------------------------|-----------|-------------------|-----------------|
| 1 - 1,000 | - | - | - |
| 1,001 - 5,000 | 1 | 2,118 | 0.01% |
| 5,001 - 10,000 | 5 | 41,451 | 0.23% |
| 10,001 - 100,000 | 48 | 1,295,456 | 7.25% |
| 100,001 - 9,999,999,999 | 19 | 16,520,336 | 92.50% |
| Totals | 73 | 17,859,361 | 100.00% |

e) Performance Shares

ASX ADDITIONAL INFORMATION

| Holding Ranges | Holders | Total Performance Shares | % Total Performance Shares |
|-------------------------|----------|--------------------------|----------------------------|
| 1 - 1,000 | - | - | - |
| 1,001 - 5,000 | - | - | - |
| 5,001 - 10,000 | - | - | - |
| 10,001 - 100,000 | 2 | 118,673 | 3.96% |
| 100,001 - 9,999,999,999 | 5 | 2,881,327 | 96.04% |
| Totals | 7 | 3,000,000 | 100.00% |

f) Performance Rights

| Holding Ranges | Holders | Total Performance Rights | % Total Performance Rights |
|-------------------------|------------|--------------------------|----------------------------|
| 1 - 1,000 | - | - | - |
| 1,001 - 5,000 | 6 | 23,331 | 0.06% |
| 5,001 - 10,000 | 44 | 352,390 | 0.84% |
| 10,001 - 100,000 | 95 | 2,548,409 | 6.07% |
| 100,001 - 9,999,999,999 | 32 | 39,059,044 | 93.04% |
| Totals | 177 | 41,983,174 | 100.00% |

7. Top 20 Shareholder as at 20 September 2021

| Position | Holder Name | Holding | % IC |
|----------|--|------------|-------|
| 1 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 65,836,722 | 9.34% |
| 2 | MCCUSKER HOLDINGS PTY LTD | 56,750,000 | 8.05% |
| 3 | UBS NOMINEES PTY LTD | 51,438,539 | 7.30% |
| 4 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 48,889,149 | 6.94% |
| 5 | NATIONAL NOMINEES LIMITED | 46,220,366 | 6.56% |
| 6 | CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C> | 34,241,668 | 4.86% |
| 7 | CITICORP NOMINEES PTY LIMITED | 28,022,429 | 3.98% |
| 8 | BRISPOT NOMINEES PTY LTD | 12,317,905 | 1.75% |
| 9 | SISU INTERNATIONAL PTY LTD | 11,403,925 | 1.62% |
| 10 | DAVID COLBRAN / 1001 PTY LTD | 11,095,701 | 1.57% |
| 11 | TIMOTHY NOMINEES PTY LTD <TIMOTHY FAMILY A/C> | 10,479,730 | 1.49% |
| 12 | MOSCH PTY LTD | 9,199,461 | 1.31% |
| 13 | CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C> | 7,862,355 | 1.12% |
| 14 | MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT> | 6,835,224 | 0.97% |
| 15 | BPM CAPITAL LIMITED | 6,500,000 | 0.92% |
| 16 | GASMERE PTY LTD | 6,228,888 | 0.88% |
| 17 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 5,080,860 | 0.72% |
| 18 | BROWN BRICKS PTY LTD | 4,673,558 | 0.66% |
| 19 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 4,341,279 | 0.62% |
| 20 | TR NOMINEES PTY LTD | 4,301,136 | 0.61% |

ASX ADDITIONAL INFORMATION

| | | | |
|--|---|--------------------|----------------|
| | Total | 431,718,895 | 61.24% |
| | Total issued capital - selected security class(es) | 704,913,388 | 100.00% |

8. Restricted Securities

There are no restricted securities on issue as at 20 September 2021.

9. Unquoted Securities

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

a) Options

| Holder Name | Holding | % Total Options |
|--------------------------------|-------------------|------------------------|
| Vault (WA) Pty Ltd <Vault A/C> | 6,000,000 | 33.60% |
| Total | 17,859,361 | 100.00% |

b) Performance Shares

| Holder Name | Holding | % Total Performance Shares |
|-----------------------|------------------|-----------------------------------|
| Michael Oliver Lawson | 960,000 | 32.00% |
| Scott Robert Noakes | 960,000 | 32.00% |
| Total | 3,000,000 | 100.00% |

10. On-market buy back

There is currently no on-market buyback program for any of the Company's listed securities and no securities were purchased on market during the financial period.

CORPORATE GOVERNANCE

In accordance with ASX Listing Rule 4.10.3 the Company's corporate governance statement can be found at the following URL:

<https://f.hubspotusercontent40.net/hubfs/416543/Corporate%20Governance%20Statement%20-Family%20Zone%2030%20June%202021.pdf>

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 4th edition (February 2019) unless otherwise stated.