FAMILY ZONE CYBER SAFETY LIMITED
ACN 167 509 177

RETAIL ENTITLEMENT OFFER DOCUMENT

A non-renounceable accelerated pro rata fully underwritten Entitlement Offer of New Shares at an issue price of A$0.55 each on the basis of 5 New Share for every 16 Shares held on the Record Date to raise up to approximately A$75 million.

This document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares being offered by this document.

THE RETAIL ENTITLEMENT OFFER IS CURRENTLY SCHEDULED TO CLOSE AT 5.00PM AWST ON 20 AUGUST 2021

VALID APPLICATION FORMS MUST BE RECEIVED BEFORE THAT TIME.

Please read the instructions in this Retail Entitlement Offer Document and on the Entitlement and Acceptance Form regarding the acceptance of Shares under the Retail Entitlement Offer.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL FINANCIAL ADVISER BEFORE DECIDING TO ACCEPT OR DECLINE THE RETAIL ENTITLEMENT OFFER.

THIS DOCUMENT MAY NOT BE RELEASED TO U.S. WIRE SERVICES OR DISTRIBUTED IN THE UNITED STATES.

THE SHARES OFFERED BY THIS RETAIL ENTITLEMENT OFFER DOCUMENT SHOULD BE CONSIDERED SPECULATIVE IN NATURE.

IMPORTANT INFORMATION

This Retail Entitlement Offer Document is dated 6 August 2021. No person is authorised to give any information or to make any representation in connection with the Retail Entitlement Offer which is not contained in this Retail Entitlement Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Retail Entitlement Offer.

Eligibility

Applications for New Shares by Eligible Retail Shareholders can only be made on the original Entitlement and Acceptance Form, as sent with this Retail Entitlement Offer Document. The Entitlement and Acceptance Form sets out an Eligible Retail Shareholder's Entitlement to participate in the Retail Entitlement Offer.

Privacy

The Company and its share registry collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the application and, if the application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes in this privacy disclosure statement and may disclose it for those purposes to its share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities. If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

Overseas Shareholders

No Retail Entitlement Offer will be made to registered Shareholders resident outside the Eligible Jurisdictions being Australia, New Zealand, Singapore, Hong Kong and the United Kingdom.

This Retail Entitlement Offer Document and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Retail Entitlement Offer Document. The distribution of this Retail Entitlement Offer Document in jurisdictions outside the Eligible Jurisdictions may be restricted by law and persons who come into possession of this Retail Entitlement Offer Document should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Shareholders resident in an Eligible Jurisdiction holding Shares on behalf of persons who are resident outside the Eligible Jurisdictions may not forward this Retail Offer Document nor take up New Shares on behalf of such persons without the consent of the Company. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation you have complied with this restriction and that there has been no breach of applicable laws.

New Zealand investors

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This Retail Entitlement Offer Document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013. This Retail Entitlement Offer Document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Singapore investors

This Retail Entitlement Offer Document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Retail Entitlement Offer Document and any other document relating to the New Shares may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Retail Entitlement Offer Document has been given to you on the basis that you are an existing holder of the Company's shares. If you are not such a shareholder, please return this document immediately. You may not forward or circulate this Retail Entitlement Offer Document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Hong Kong investors

WARNING: The contents of this Retail Entitlement Offer Document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this Retail Entitlement Offer Document, you should obtain independent professional advice.

United Kingdom investors

Neither this Retail Entitlement Offer Document nor any other document relating to the Retail Entitlement Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this Retail Entitlement Offer Document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This Retail Entitlement Offer Document is issued on a confidential basis in the United Kingdom to fewer than 150 persons who are existing shareholders of the Company. This Retail Entitlement Offer Document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this Retail Entitlement Offer Document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this Retail Entitlement Offer Document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this Retail Entitlement Offer Document.

Notice to nominees and custodians

Nominees and custodians may not distribute any part of this Retail Entitlement Offer Document or any Entitlement and Acceptance Form in any country outside Australia, New Zealand and Singapore, except in such other country as the Company may determine it is lawful and practical to make the Retail Entitlement Offer. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

This document is not a prospectus.

It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares being offered by this Retail Entitlement Offer Document.

This document has been prepared in accordance with section 708AA of the Corporations Act and applicable *ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84*which in general terms, permits certain companies to undertake entitlement offer without being required to use or provide to shareholders a prospectus or other disclosure document.

1. Chairman's Letter

Dear Shareholder

As recently announced, the Company has successfully won a competitive bid to purchase the Smoothwall company group, the leading provider of cyber safety solutions to the K-12 education sector in the United Kingdom for a total acquisition price of £75.5 million (A$142.0 million[1]) in cash.

Smoothwall is one of the world's leading providers of digital and safeguarding services with a dominant market position in the UK and operations in the US. Today Smoothwall supports in excess of 12,400 schools and 6 million students across its UK and US operations. Smoothwall generates circa A$30 million in annual recurring revenue.

The acquisition establishes one of the worlds largest and fastest growing cyber safety providers with c. A$44 million of annual recurring revenue and servicing in excess of 18,000 schools and 9 million students across Australia, New Zealand, USA and UK.

The combination of Smoothwall and Family Zone Education services (known as Linewize) creates a compelling and world leading suite of K-12 digital safe guarding solutions including:

- **Compliance:** World leading content filtering solutions including on-premise, cloud, hybrid and on device and supporting all customary school networks, devices and integrations.
- **Firewall:** A complete, built for education, all-in-one security platform.
- **Monitor**: World best practice analytics, monitoring and intervention platform including AI and 24/7 human moderation.
- **Records**: World best practices tools for school pastoral staff and admins to securely and record and share safeguarding incidents.
- **Training**: Accredited education programs delivered to parents, teachers and students.
- **Community**: World best practice tools to support school community cyber safety programs and parental engagement.

As a valued Shareholder, I am pleased to invite you to participate in a 5 for 16 non-renounceable pro rata accelerated entitlement offer for new shares in Family Zone each at an offer price of $0.55 to raise approximately $75.3 million.

The Entitlement Offer forms part of an equity capital raising the Company is conducting to raise approximately $146.4 million (before costs). The equity raising including the Entitlement Offer is fully underwritten by Joint Underwriters, Shaw and Partners Limited and Euroz Hartleys Limited with Argonaut Limited as a co-manager.

Proceeds of the equity raising will be used to fund the Company's acquisition of Smoothwall. Proceeds will also be used to fund costs of the equity raising and to ensure the Company has sufficient working capital following its acquisition of Smoothwall. Details of the equity raising and Smoothwall are set out in the Company's recent ASX announcement and investor presentation, copies of which can be downloaded from the Company's website www.familyzone.com or the ASX website www2.asx.com.au using ASX code (ASX:FZO).

The equity raising consists of a Placement and the Entitlement Offer. The Entitlement Offer has an institutional component and a retail component. This Retail Entitlement Offer Document relates to the retail component only.

[1] Converted to $A based on a £:A$ exchange rate of 0.53166.

You are invited, as an eligible retail Shareholder, to participate in the Company's equity raising by subscribing for New Shares under the Retail Entitlement Offer at the offer price of $0.55 which is the same price for Shares paid by institutional investors participating in the Placement and the institutional component of the Entitlement Offer.

The Entitlement Offer is non-renounceable and entitlements are not tradable on the ASX or otherwise transferable.

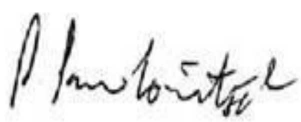
Accompanying this Retail Entitlement Offer Document is your personalised Application Form which contains details of your entitlement and how you can take it up. If you choose not to take up your entitlement, you do not need to take any action.

Please read this Retail Entitlement Offer Document carefully in its entirely before you accept your entitlement. It contains important information about the Retail Entitlement Offer and the business of Family Zone. In particular, please read the key risks detailed in Section 4. Please consult your professional advisers before making your investment decision, should you see fit.

The Retail Entitlement Offer closes at 5:00 pm (AWST) on 20 August 2021.

On behalf of the Board, I encourage you to consider this investment opportunity and thank you for your continued support.

Yours sincerely



Peter Pawlowitsch

Non-Executive Chairman

2. Details of Retail Entitlement Offer

2.1 Background

(a) Acquisition of Smoothwall

As recently announced, the Company has agreed to acquire the Smoothwall company group (**Smoothwall**) for consideration of £75.5 million in cash (**Acquisition**).

Smoothwall is the leading provider of cyber safety solutions to the K-12 sector in the United Kingdom and has a small operation in the United States. Smoothwall services in excess of 12,400 schools and has in excess of 6 million students on its platforms. In the UK specifically it is estimated that Smoothwall provides cyber safety services to approximately 38% of the UK market.

The Acquisition represents a significant achievement for the Company which will result in the Company acquiring the largest incumbent in the UK market. The Acquisition immediately triples Family Zone's user base, triples annual recurring revenue, diversifies the Company's offerings and increases staffing by around 50%. The Acquisition provides the Company with the scale necessary to compete strongly in the emerging data analytics segment of K-12 education.

Further details regarding the Acquisition and the Capital Raising (defined below) are set out in the Company's recent announcement made on or around the date of this document.

(b) Capital Raising

The Company is undertaking an equity capital raising to raise the funds necessary to fund the consideration for the Acquisition. The equity capital raising comprises a placement to professional, sophisticated and institutional investors and an entitlement offer to Eligible Shareholders to raise a total of approximately $146.4 million (before costs) (**Capital Raising**), as follows:

(i) a placement to professional, sophisticated and institutional investors of a total of up to 129,136,813 Shares (**Placement Shares**) each at an issue price of $0.55 to raise a total of approximately $71.0 million (before costs) (**Placement**); and

(ii) an accelerated non-renounceable pro-rata entitlement offer to Eligible Shareholders of a total of approximately 136,986,226 New Shares on the basis of 5 New Share for every 16 Shares held at the Record Date, each at an issue price of $0.55 to raise a further approximately $75.3 million (before costs) (**Entitlement Offer**). The Entitlement Offer comprises:

(A) an institutional component to raise approximately $37.1 million (before costs) (**Institutional Entitlement Offer**); and

(B) a retail component to raise approximately $38.2 million (before costs) being the Retail Entitlement Offer detailed in Section 2.2.

The Institutional Entitlement Offer and the Placement is expected to settle shortly on 12 August 2021 and is expected to raise a total of approximately $37.1 million (before costs). All proceeds raised from the Institutional Entitlement Offer and the Placement will be used to fund the consideration for the Acquisition. Further details of the use of funds raised under the Capital Raising is set out in Section 2.5.

This Retail Entitlement Offer Document relates to the retail component of the Entitlement Offer. Under the Retail Entitlement Offer, Eligible Retail Shareholders are being offered the opportunity to subscribe for New Shares at $0.55 per New Share which is the same price as paid by the institutional investors who participated in the Placement and the Institutional Entitlement Offer.

Further details of the Retail Entitlement Offer are set out in Section 2.2 below.

2.2 Retail Entitlement Offer

The Company is making a non-renounceable pro-rata Retail Entitlement Offer of New Shares to Eligible Retail Shareholders on the basis of 5 New Share for every 16 Shares held at the Record Date, each at an issue price of $0.55 (**Retail Entitlement Offer**).

The Retail Entitlement Offer is fully underwritten by the Joint Underwriters, Shaw and Partners Limited and Euroz Hartleys Limited.

As at the Record Date, the Company will have on issue 438,355,924 Shares[2]. The Company expects that up to 69,524,933 New Shares will be issued under the Retail Entitlement Offer to raise up to approximately $38.2 million (before costs).

The Company will accept Entitlement and Acceptance Forms until 5.00pm AWST on the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the ASX Listing Rules and applicable laws.

Where the determination of the entitlement of Eligible Retail Shareholders results in a fraction of a New Share, such fraction will be rounded down to the nearest whole Share.

The Retail Entitlement Offer is being made pursuant to section 708AA of the Corporations Act as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73 which allows the Entitlement Offer to be made without a prospectus, provided certain conditional are satisfied.

As a result, the Retail Entitlement Offer is not being made under a prospectus and it is important for Eligible Retail Shareholders to read and understand the information of the Company and the Retail Entitlement Offer made publicly available by the Company prior to taking up all or part of your Entitlement. In particular, before you make any decision in relation to your Entitlement, please refer to:

- the key risks of an investment in the Company detailed in Section 4;
- all other parts of this Retail Entitlement Offer Document;
- the Company's recent ASX announcement and investor presentation about the Smoothwall Acquisition and the Capital Raising lodged on or about the same date as this Retail Entitlement Offer Document. Copies can be downloaded from the Company's website www.familyzone.com or the ASX website www2.asx.com.au using ASX code (ASX:FZO); and
- the Company's interim and annual reports and other announcements made by the Company (including the Company's half-yearly report reported to the ASX on 25 February 2021) available at www2.asx.com.au.

Your Entitlement is shown on the personalised Entitlement and Acceptance Form accompanying this Retail Entitlement Offer Document. You may accept the Retail Entitlement Offer only by applying for Shares on the Entitlement and Acceptance Form.

Acceptances must not exceed your entitlement as shown on the Entitlement and Acceptance Form, although you may accept for all or only part of your Entitlement. If

[2] Includes 1,011,276 Options to be exercised and 887,534 Shares to be issued to employees under the Company's Employee Securities Incentive Plan prior to the Record Date.

your acceptance exceeds your Entitlement, acceptance will be deemed to be for your maximum Entitlement and any surplus will be refunded.

The Joint Underwriters have the right to allocate any New Shares not subscribed for by Eligible Retail Shareholders under the Retail Entitlement Offer at their discretion pursuant to the Underwriting Agreement. Details regarding the Underwriting Agreement are set out in Section 5.1. Eligible Retail Shareholders are not being offered an opportunity to apply for Shortfall under the Retail Entitlement Offer.

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Shares accepted or deemed to be accepted by the Applicant. The Entitlement and Acceptance Form does not need to be signed by the Applicant to be legally binding. The Retail Entitlement Offer and contract formed on acceptance are governed by the laws of Western Australia.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

New Shares offered by this Retail Entitlement Offer Document are expected to be issued, and security holder statements dispatched, on the date specified in the timetable in Section 2.4.

It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

2.3 Who is eligible to participate in the Retail Entitlement Offer?

The Retail Entitlement Offer is made to you if you are an Eligible Retail Shareholder (as defined below).

An **Eligible Retail Shareholder** is a Shareholder who:

- is registered as a holder of Shares as at 5:00pm (AWST) on the Record Date;
- has a registered address in the Eligible Jurisdictions as at the Record Date (or are a Shareholder that the Company has otherwise determined is eligible to participate);
- was not invited to participate in the Institutional Entitlement Offer (other than as a nominee in respect of a different beneficial holding) and was not treated as an ineligible institutional shareholder under the Institutional Entitlement Offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

All Shareholders who are not Eligible Retail Shareholder are Ineligible Retail Shareholders. Ineligible Retail Shareholders will not be entitled to participate in the Retail Entitlement Offer.

2.4 Indicative Timetable

Announcement of Smoothwall Acquisition and Capital Raising and lodgment of Appendix 3B	6 August 2021
Lodgment of Retail Entitlement Offer Document and s708AA notice	6 August 2021
Placement and Institutional Entitlement Offer opens	6 August 2021
Announcement of results of Placement and Institutional Entitlement Offer	9 August 2021
Trading halt lifted and trading resumes on an "ex-entitlements" basis	9 August 2021
Record Date for Entitlement Offer	9 August 2021 (5pm AWST)
Retail Entitlement Offer opens Retail Entitlement Offer Document and Entitlement & Acceptance Form sent to Eligible Retail Shareholders	**11 August 2021**
DVP settlement of new Shares being issued under the Placement and Institutional Entitlement Offer and lodgment of Appendix 2A (prior to 12pm AEST)	12 August 2021
Issue of new Shares under the Placement and Institutional Entitlement Offer and commencement of trading of these new Shares	13 August 2021
Completion of Acquisition	13 August 2021
Closing Date for Retail Entitlement Offer	**20 August 2021** (5pm AWST)
Announcement of results of Retail Entitlement Offer. Company to notify ASX of under subscriptions (if any)	25 August 2021
Anticipated date for issue of the New Shares under the Retail Entitlement Offer and lodgment of Appendix 2A	25 August 2021
Despatch of holding statements and commencement of trading in New Shares under the Retail Entitlement Offer	**26 August 2021**
Anticipated date for issue of the Shortfall Shares and lodgment of Appendix 2A	30 August 2021

The timetable above is indicative only and may change. The Company may change any of the dates and times without notice, subject to the Corporations Act, ASX Listing Rules and applicable laws. The Company reserves the right to extend the Closing Date, to accept late applications under the Retail Entitlement Offer (either generally or in particular cases) and to withdraw the Retail Entitlement Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the issue date of New Shares.

The commencement of quotation of New Shares is subject to confirmation from ASX. Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application for New Shares once it has been accepted. Eligible Retail Shareholders wishing to participate in the Retail Entitlement Offer are encouraged to submit their Acceptance Forms as soon as possible once the Retail Entitlement Offer opens to ensure their Application is received in time.

2.5 Use of Funds

It is proposed that the current cash reserves of the Company and the proceeds raised from the Capital Raising including the Retail Entitlement Offer be allocated as follows:

Sources and Uses of Funds	**Amount $A million**
Pre Capital Raising cash available(1)	$32.1
Funds raised from the Placement and Institutional Entitlement Offer	$108.1
Funds raised from the Retail Entitlement Offer	$38.2
Total funds available	**$178.5**
Consideration payable for the Acquisition	$142.0(2)
Acquisition advisor costs	$1.6 (3)
Stamp duty	$0.5
Costs of the Capital Raising	$7.2(4)
General working capital for growth initiatives	$27.1
Total funds applied	**$178.5**

(1) As at 31 July 2021.

(2) Consideration is payable A$122.3 million at Completion and A$19.7 million deferred until 1 September 2021 and converted into A$ at a £:A$ exchange rate of 0.53166.

(3) Advisor costs associated with the Acquisition and Capital Raising incurred in £ have been converted to A$ based on a £:A$ exchange rate of 0.53166 and include GST and VAT.

(4) Underwriting costs of 4.5% of total funds raised under the Capital Raising inclusive of GST.

2.6 No Rights trading

The rights to New Shares under the Entitlement Offer is non-renounceable, which means that Eligible Shareholders may not sell or transfer all or any part of their Entitlement to subscribe for New Shares under the Entitlement Offer. If you do not take up your Entitlement to New Shares under the Retail Entitlement Offer by the Closing Date, the Retail Entitlement Offer to you will lapse. The New Shares in your Entitlement that are not taken up by you will form part of the Shortfall.

2.7 ASX quotation

Application will be made to ASX for the Official Quotation of the New Shares to be issued under the Retail Entitlement Offer. If permission is not granted by ASX for the Official Quotation of the New Shares to be issued under the Retail Entitlement Offer, the Company will repay, as soon as practicable, without interest, all application monies received pursuant to the Retail Entitlement Offer.

2.8 Risk Factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are described in Section 4.

2.9 Underwriting

The Retail Entitlement Offer is fully underwritten by the Joint Underwriters on the terms of the Underwriting Agreement. Details regarding the Underwriting Agreement are set out in Section 5.1.

2.10 Shortfall

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall and will revert to the Joint Underwriters.

The Retail Entitlement Offer is fully underwritten. To the extent any New Shares under the Retail Entitlement Offer are not subscribed for by Eligible Retail Shareholders, the Joint Underwriters will (subject to the terms of the Underwriting Agreement) be required to subscribe for those New Shares or procure sub-underwriters to do so on the Joint Underwriters' behalf. Details of the underwriting of the Retail Entitlement Offer including fees payable to the Joint Underwriters are set out in Section 5.12.9.

Shortfall Shares will only be available where there is a Shortfall between Entitlement and Acceptance Form applications received from Eligible Retail Shareholders and the number of Shares proposed to be issued under the Retail Entitlement Offer.

Shortfall Shares will be issued at $0.55 per Shortfall Share being the same issue price for New Shares under the Entitlement Offer.

All decisions regarding the allocation of Shortfall Shares will be made by the Joint Underwriters in consultation with the Company and will be final and binding. In the event the Underwriting Agreement is terminated and there is a Shortfall, the Directors reserve the right to the place the Shortfall Shares at their discretion.

2.11 Effect of the Retail Entitlement Offer on control of the Company

It is not expected that the issue of the New Shares under the Retail Entitlement Offer will have any material impact on the control of the Company. In particular, no Shareholder will acquire an interest in 20% or more of the issued capital of the Company as a result of the Retail Entitlement Offer.

The potential effect of the Entitlement Offer on each Shareholder's percentage interest in the total issued capital of the Company is dependent on a number of factors including investor demand. Given the structure of the Entitlement Offer as a pro rata offer the potential effect of the issue of the New Shares will have on the control of the Company is as follows:

(i) If all Eligible Shareholders take up their entitlement for New Shares under the Entitlement Offer, the ownership interest (and voting power) in the Company of each Eligible Shareholder will remain largely unchanged and the effect of the change of control of the Company will be negligible. However, the Company is also undertaking the Placement and Shares issued under the Placement will represent approximately 18.3% of the Company's issued capital following completion of both the Placement and the Entitlement Offer. Accordingly, existing Shareholders of the Company will be diluted as a result of the Placement. However, having regard to the current substantial Shareholders of the Company and their voting power and the relevant statutory caps on voting power of shareholders, the Directors do not consider the Placement will have any material impact of the control of the Company even if the existing substantial Shareholders of the Company participate in the Placement in a material respect.

(ii) To the extent that any Eligible Shareholder chooses to not take up their full entitlement to New Shares under the Entitlement Offer, that Eligible Shareholder's percentage holding in the Company will be diluted by the Shares issued under the Entitlement Offer and the Placement;

(iii) The voting power of Ineligible Shareholders will be diluted by the Shares issued under the Entitlement Offer and the Placement.

(iv) If no Eligible Shareholders take up their entitlement to New Shares under the Entitlement Offer (which the Directors consider unlikely) then the Joint Underwriters will be required to subscribe, or procure subscriptions from others, for the Shortfall. In these circumstances, the maximum theoretical increase in voting power of the Joint Underwriters (or a sub-underwriter) will be approximately 19.4% (having regard to the Company's total issued capital following completion of both the Entitlement Offer and the Placement). However, as the Joint Underwriters' obligations will be at least partially sub-underwritten, the Directors consider there will be no material effect on the control of the Company even if a substantial Shortfall arose.

2.12 Effect on capital structure

Below is a table showing the Company's current capital structure and the capital structure upon completion of the Retail Entitlement Offer, assuming no other existing Options are exercised or existing Performance Rights converted into Shares prior to the Record Date (except as noted in the table below).

	Shares	Options	Performance Rights	Performance Shares
Balance as Record Date(1)	438,355,924	13,984,331	31,515,582	3,000,000
Placement	129,136,813	Nil	Nil	Nil
Institutional Entitlement Offer	67,461,293	Nil	Nil	Nil
Retail Entitlement Offer	69,524,933	Nil	Nil	Nil
Balance following completion of Capital Raising	**704,478,963**	**13,984,331**	**31,515,582**	**3,000,000**

(1) Includes 1,011,276 Shares issued on exercise of 1,006,276 Options and 5,000 Performance Rights and 887,534 Shares issued to employees under the Company's Employee Securities Incentive Scheme prior to the Record Date.

2.13 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale price of the Shares on ASX during the three months immediately preceding the date of release of this Retail Entitlement Offer Document is as follows:

	$	Date
Highest	0.69	6 July 2021
Lowest	0.48	20-21 May 2021
Last	0.60	30 July 2021

2.14 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Retail Entitlement Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Retail Entitlement Offer Document.

2.15 Overseas Shareholders

No Retail Entitlement Offer will be made to Shareholders resident outside the Eligible Jurisdictions.

In compliance with ASX Listing Rule 7.7.1(a) and section 708AA of the Corporations Act, the Company has determined that it is unreasonable to make the Retail Entitlement Offer to Shareholders outside the Eligible Jurisdictions having regard to the small number of Shareholders with addresses in other jurisdictions, the small number and value of the Shares they hold and the cost of complying with the legal requirements and the requirements of regulatory authorities in those other jurisdictions and the amount to be raised under the Retail Entitlement Offer.

This Retail Entitlement Offer Document and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Retail Entitlement Offer Document. The distribution of this Retail Entitlement Offer Document in jurisdictions outside the Eligible Jurisdictions may be restricted by law and persons who come into possession of this Retail Entitlement Offer Document should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. See “Important Information” on pages 3 – 5.

In particular, this Retail Entitlement Offer Document may not be distributed in the United States and the New Shares may not be offered or sold to persons in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933 or applicable US state securities laws.

Shareholders resident in an Eligible Jurisdiction holding Shares on behalf of persons who are resident outside the Eligible Jurisdictions may not forward this Retail Offer Document nor take up New Shares on behalf of such persons without the consent of the Company. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation you have complied with this restriction and that there has been no breach of applicable laws.

Notwithstanding the above, the Company may (in its absolute discretion) extend the Retail Entitlement Offer to certain Shareholders who have registered addresses outside the Eligible Jurisdictions subject to compliance with applicable law. To the maximum extent permitted by law, the Company disclaims all liability to Shareholders in respect of such determination.

2.16 CHESS and issuer sponsorship

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. All trading on ASX in Shares will be settled through CHESS. ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Rules.

The Company's share registry operates an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. Both these sub-registers constitute the Company's principal register of Shareholders.

Holders of Shares will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored or other participant in CHESS, ASX Settlement will send you a CHESS statement. The CHESS statement will set out the number of Shares issued under this Retail Entitlement Offer Document, provide details of your holder identification number, and provide the participant identification number of the sponsor and the terms and conditions applicable to the Shares.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by the Company's Registry and will contain the number of Shares issued to you under this Retail Entitlement Offer Document and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

2.17 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price of value of its securities.

This Retail Entitlement Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Retail Entitlement Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from its website www.familyzone.com or the ASX www2.asx.com.au using ASX code (ASX:FZO).

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. These reports are released to ASX and published on the Company's and the ASX websites.

This Retail Entitlement Offer Document (including the Entitlement & Acceptance Form) and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the nonexclusive jurisdiction of the courts of Western Australia.

2.18 Withdrawal of the Entitlement Offer

The Company reserves the right to withdraw all or part of the Entitlement Offer at any time, subject to applicable laws, in which case the Company will refund application monies in relation to New Shares not already issued in accordance with the

Corporations Act and without payment of interest. In circumstances where allotment under the Institutional Entitlement Offer has occurred, the Company may only be able to withdraw the Entitlement Offer with respect to New Shares to be issued under the Retail Entitlement Offer. To the fullest extent permitted by law, you agree that any application monies paid by you to the Company will not entitle you to receive any interest and any interest earned in respect of the application monies will belong to the Company.

2.19 Entitlement Offer Notice

The Company has lodged with ASX a notice in accordance with section 708AA(2)(f) of the Corporations Act which sets out, amongst other information, the effect of the Retail Entitlement Offer on the control of the Company. This notice may be reviewed on the websites of the Company and ASX.

2.20 Enquiries

Enquiries concerning the Entitlement and Acceptance Form can be made by contacting the Company's share registry, Automic Registry Services, by telephone on 1300 288 644.

The addresses for the Company and its share registry are:

Share Registry Mailing Address:	**Company Address:**
Family Zone Cyber Safety Limited	**(please do not use for mailing purposes)**
C/- Automic Registry Services	Family Zone Cyber Safety Limited
GPO Box 5193	945 Wellington Street
Sydney NSW 2001	West Perth WA 6005

General enquires in relation to the Company can be made to the company secretary by telephone on (08) 9322 7600.

3. Action Required

3.1 If you wish to take up all of your Entitlement

Should you wish to accept all of your Entitlement, then applications for New Shares under this Retail Entitlement Offer Document must be made by completing a BPAY® or EFT payment, in accordance with the instructions referred to in this Retail Entitlement Offer Document and on the Entitlement and Acceptance Form. Please read the instructions carefully.

If you wish to pay via BPAY® or EFT you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your Entitlement upon receipt of the BPAY® or EFT payment by the Company. Eligible Retail Shareholders who elect to pay via BPAY® or EFT do not need to return their completed Entitlement and Acceptance Form. If you elect to pay via BPAY® of EFT then your payment must be received by 5.00pm (WST) on the Closing Date. Please read the instructions carefully.

You must quote the unique reference number on your personalised Entitlement and Acceptance Form as your payment reference/ description when processing your EFT payment. Failure to do so may result in your funds not being allocated to your application and New shares subsequently not issued.

The Company will not be responsible for any delay in the receipt of the BPAY® or EFT payment.

3.2 If you wish to take up part of your Entitlement

Should you wish to only take up part of your Entitlement, then applications for New Shares under this Retail Entitlement Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Retail Entitlement Offer Document or by completing a BPAY® or EFT payment in respect of the portion of your Entitlement you wish to take up, in accordance with the instructions referred to in this Retail Entitlement Offer Document and on the Entitlement and Acceptance Form. Please read the instructions carefully.

If you wish to pay via BPAY® or EFT you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your Entitlement upon receipt of the BPAY® or EFT payment by the Company. Eligible Retail Shareholders who elect to pay via BPAY® or EFT do not need to return their completed Entitlement and Acceptance Form. If you elect to pay via BPAY® or EFT then your payment must be received before 5.00pm (WST) on the Closing Date. Please read the instructions carefully.

The Company will not be responsible for any delay in the receipt of the BPAY® or EFT payment.

3.3 If you do not wish to take up your Entitlement

If you do not wish to accept any of your Entitlement, you are not obliged to do anything and your Entitlement will automatically lapse. In that case, New Shares not accepted by the Closing Date will become Shortfall Shares and you will receive no benefit.

The number of Shares you hold and the rights attaching to those Shares will not be affected should you choose not to accept any part of your Entitlement, however your percentage holding in the capital of the Company will be diluted.

4. Risk Factors

This Section discusses some of the key risks associated with an investment in Shares. A number of risks and uncertainties, which are both specific to the Company and of a more general nature, may adversely affect the operating and financial performance or position of the Company, which in turn may affect the value of Shares and the value of an investment in the Company.

The risks and uncertainties described below are not an exhaustive list of the risks facing the Company or associated with an investment in the Company. Additional risks and uncertainties may also become important factors that adversely affect the Company's operating and financial performance or position.

Before investing in the Company, you should consider whether an investment in the Company is suitable for you. Potential investors should consider publicly available information on the Company (such as that available on the websites of the Company and ASX), carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

4.1 Risk associated with the Acquisition

(a) **Due Diligence Risk**

Family Zone has undertaken due diligence on the Smoothwall Business. There is a risk that the due diligence conducted by Family Zone will not identify issues that are material and may have affected its decision to pursue the Acquisition (or proceed to completion of the Acquisition). A material adverse issue which is not identified prior to completion of the Acquisition could have an adverse impact on the assumed financial position, financial performance or operations of the combined group. In particular: (a) if Family Zone fails to identify a material liability during Family Zone's due diligence or a liability that it is aware of is materially greater than expected, for which insurance may not be adequate or available, and for which Family Zone may not have post-completion recourse; and (b) given that the strategic rationale for the Acquisition is premised on the contribution Smoothwall will make to Family Zone's annual recurring revenue (in particular), and that the ARR contribution makes certain assumptions about synergies, any factor which results in Smoothwall revenue being weaker than expected, its costs being higher than expected, or the synergy benefits not being realised, will, to the extent that those factors are material (in isolation or combination), adversely affect the forecast financial performance of the combined group.

As is usual in the conduct of acquisitions, the due diligence process undertaken by Family Zone will identify a number of risks associated with the Acquisition, which Family Zone will have to evaluate and manage. The mechanisms used by Family Zone to manage these risks may, in certain circumstances, include the acceptance of particular risks as tolerable on commercial grounds such as materiality. There is a risk that the approach taken by Family Zone may be insufficient to mitigate these risks, or that the materiality of these risks may be underestimated, and hence they may have a material adverse impact on Family Zone's financial position or performance.

(b) **Underwriting risk**

The Company has entered into an underwriting agreement under which the Joint Lead Managers have agreed to fully underwrite the Capital Raising, subject to certain rights of termination. If certain conditions are not satisfied or certain events occur under the underwriting agreement, the Joint Lead Managers may terminate the underwriting agreement which may require the Company to abandon the Acquisition (or procure alternative funding). The ability of the Joint Lead Managers to terminate the underwriting agreement in respect of some events (including market fall, market disruption, or regulatory action) will depend on matters outside of Family Zone's control.

(c) **Integration risks**

The Acquisition may consume significant management time, attention and effort during the integration phase. The diversion of management time in this manner may result in adverse outcomes elsewhere in Family Zone's business. The Company's decision to proceed with the Acquisition is premised on a variety of assumptions, including the realisation of various synergy benefits (primarily costs that can be reduced or removed from the combined group to improve its overall financial performance through cross selling opportunities). The Company may fail to achieve the synergy benefits that it has forecast. Any failure to realise those benefits in any material respect will likely mean that the Company's forecast financial performance of the combined group will not be achieved.

(d) **Customer churn**

Customer churn is, in simple terms, the loss of customers (often expressed as a percentage of total customers) over a period of time. Where companies acquire customers, the potential risk of churn is heightened, given that integration of the new customers may involve product changes or disruptions, pricing changes and service disruptions as a result of poorly executed integration planning. If customer churn in respect of Smoothwall is material over the short-term, then the revenue contribution assumptions that the Company has made may not be realised.

(e) **Warranty and Indemnity Risk**

The share sale and purchase agreement includes customary warranties. As is customary with a transaction of this nature the vendors liability is capped at £1.00 and the Company is in the process of obtaining warranty and indemnity insurance to which it would have recourse should there be a claim. Warranty and indemnity insurance can be complicated and has numerous exemptions to claim coverage and recovery. There is a risk that the policy may not respond to a particular claim or the compensation available if a successful claim is made may not sufficiently compensate Family Zone for the loss suffered by the mattes leading the warranty or indemnity claim.

4.2 Specific Risks associated with the Company

(a) **Commercialisation strategy execution**

The success of the Company's operations relies on consumers subscribing to the Family Zone services through both retail and wholesale distribution channels. The number of users/subscribers is crucial for the Company to generate income. A slower or reduced uptake in both retail and wholesale subscriber numbers will affect the Company's earnings ability.

(b) **Competition**

The K-12 education and parental controls market is highly competitive. Competition within these markets arises from a number of sources including companies with greater capital resources. Family Zone's competitors include telecommunication companies, internet companies and computer, software and hardware manufacturers. The Company's performance could be adversely affected if existing or new competitors limit the Company's subscriber growth strategy through aggressive price competition; marketing, and increasing their competing product and service offerings.

(c) **Information technology risk**

The Family Zone Platform provides a range of technical product offerings and services. As with any technical project however there are risks with the chosen technology, vendors, employees and in execution and delivery of the services proposed. Whilst the Company has engaged subject-matter experts, employs experienced persons and standard security technologies and approaches there are risks that delivery will fail to meet consumer expectations and that the technologies utilised will become obsolete. There is also a risk that the Company is the subject of a fraud or malicious attack or the Family Zone Platform is compromised resulting in a negative impact on the Company's reputation and performance.

(d) **Security**

As with all e-commerce businesses, the Company is heavily reliant on the security of its websites and associated payment systems which ensure that customers are confident transacting online. Breaches of security could impact customer satisfaction and confidence in the Company and could impact the Company's financial performance.

Certain breaches of security, such as cyber-attacks by hackers, could render the Family Zone Platform and payment systems unavailable through a disrupted denial of service or other disruptive attacks. Unavailability of the Family Zone Platform, the Family Zone Portal and/or associated payment systems could lead to a loss of revenues for the Company. Further, it could hinder the Company's ability to retain existing customers and attract new customers, particularly if the Family Zone products and services were perceived to be less secure or reliable than its competitors, which would have a material adverse impact on the Company's prospects.

(e) **Customer service risk**

The Company outsources certain customer support operations where considered appropriate. Should these support services not meet acceptable fidelity and privacy standards or customer's expectations then it may result in a loss of customers, adverse publicity, litigation, regulatory enquiries and customers reducing the use of the Family Zone services. If any of these occur, it may adversely impact the Company's revenues.

(f) **Brand risks**

The Company has established the trading name Family Zone and Family Zone Cyber Safety and Linewize. The Company believes global branding is critical for the long term success of its business. Negative commentary or a complaint regardless of accuracy via social media, media in general and or word of mouth may have a damaging impact on the ability of the Company to reach its potential.

Furthermore, claims of third parties of rights to the Company's trading names may cause the Company to incur costs or be required to pay damages or lose rights to their use. This may adversely impact on the operating results and potential of the Company.

(g) **Infringement of third party intellectual property rights**

If a third party accuses the Company of infringing its intellectual property rights or if a third party commences litigation against the Company for the infringement of trademarks or other intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, intellectual property litigation is expensive. Costs that the Company incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time.

In addition, parties making claims against the Company may be able to obtain injunctive or other equitable relief that could prevent the Company from further using its branding, trademarks or commercialising its products or services. In the event of a successful claim of infringement against the Company, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defense of any lawsuit or failure to obtain any of these licenses could prevent the Company from commercialising its products and services and could cause it to incur substantial costs.

(h) **Regulatory changes**

Family Zone provides a consumer service. Amongst other things, the Family Zone service involves controlling and monitoring kids' online activity in the classroom and at home. Such services are subject to consumer and privacy laws in many jurisdictions. Key markets may change laws in areas which may impact the Company's ability to innovate, to trade or may create unexpected costs for the Company.

(i) **Reliance on key personnel**

The Company has a number of key management personnel, and its future depends on retaining and attracting these and other suitable qualified personnel. There is no guarantee the Company will be able to attract and retain suitable qualified personnel, and a failure to do so could materially adversely affect the business, operating results and financial prospects.

(j) **Sufficiency of funding**

The Company's commercialisation strategy requires substantial expenditure and there can be no guarantees that the Company will have sufficient funds to successfully achieve all the objectives of the Company's business strategy, which may have an adverse impact on future revenue. This may result in the Company needing to raise additional funds to achieve these objectives.

Any additional equity financing may be dilutive to the Company's existing Shareholders and any debt financing, if available, may involve restrictive covenants, which limit the Company's operations and business strategy. If the Company is unable to raise capital if and when needed, this could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

(k) **Change in technology**

The Family Zone Platform has been built to service contemporary technologies and user environments. Should the technologies employed by the Company's customers or target customers change and the Company is unable to accommodate such changes into its services then the Family Zone Platform may be rendered uncompetitive which could materially adversely affect the business, operating results and financial prospects.

In these circumstances the Company would be required to commit resources to developing or acquiring and then deploying new technologies for use in operations and to ensure competitive positioning of its services.

(l) **Exchange rate movement**

The Company is exposed to exchange rate movements and in particular the A$/US$ because a material portion of the Company's revenues is earned from operations in the US. Following the Acquisition, the Company will also be particularly exposed to the A$/GBP. In addition many of the Company's technology suppliers invoice the Company in US$. Movements in exchange rates may have an impact on the Company's financial position and performance.

(m) **Relationships with key intellectual property licensors and technology**

The Company uses intellectual property and technology developed in the course of its business that is owned by the Company and also relies on relationships with key intellectual property licensors and technology partners, from whom it licenses the right to use particular intellectual property and technology. The Company's ability to offer the Family Zone services is dependent on its ability to use particular intellectual property and technology, and any change in the ability to use or protect the intellectual property the Company relies on may have an adverse effect on the Company's future financial performance and position.

(n) **Regulatory compliance**

The Company is required to comply with the laws governing privacy, taxation and consumer trade practices in each jurisdiction in which it operates. The Company may be subject to other laws in jurisdictions in which it plans to operate and the applicable laws may change from time to time.

These laws and applicable regulations give rise to risks and compliance costs for the Company. Non-compliance with such regulations, changes in the interpretation of current regulations, loss or failure to secure renewal of an accreditation, or the introduction of new laws or regulations may lead to fines imposed on the Company by the relevant regulatory authority or Governmental body, revocation of permits or licenses, or damage to the Company's reputation and may have a material adverse effect on the Company's costs, business model and competitive environment and therefore could materially adversely affect the Company's future financial performance and position.

(o) **Doing business outside of Australia**

The Company has operations in the United States of America and a material portion of the Company's revenues is earned from these operations. Following the Acquisition, the Company will also have a significant operation in the United Kingdom. The Company is also looking to expand into other geographical markets.

Wherever the Company sets up operations, the Company is exposed to a range of multi-jurisdictional risks such as risks relating to labour practices, environmental matters, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regime (including in relation to taxation and foreign investment and practices of government and regulatory authorities) and other issues in foreign jurisdictions in which the Company operates. Businesses that operate across multiple jurisdictions face additional complexities from the unique business requirements in each jurisdiction.

Management experience will help to mitigate, but will not remove, this risk.

(p) **Insurance**

The Company seeks to maintain appropriate policies of insurance consistent with those customarily carried by organisations in its industry sector. Any increase in the cost of the insurance policies of the Company or the industry in which it operates could adversely affect the Company's business, financial condition and operational results. The Company's insurance coverage may also be inadequate to cover losses it sustains. Uninsured loss or a loss in excess of the Company's insured limits could adversely affect the Company's business, financial condition and operational results.

(q) **Contractual disputes**

The Company's distribution strategy is dependent in part on contractual agreements with third parties that have an interaction with the Company's target market. The Company is aware that there are associated risks when dealing with third parties including but not limited to insolvency, fraud and management failure. Should a third party contract fail, there is the potential for negative financial and brand damage for the Company.

(r) **Manufacturing and supply risks**

The Company's access point hardware is manufactured overseas. Currently the Family Zone Box is manufactured in China.

If the Company's chosen manufacturer experiences problems at its production facilities or is unable to maintain adequate manufacturing capacity, it may be unable to provide the Company with delivery and supply of required products in a timely manner, or deliver the Company products which are of merchantable quality. If the Company is unable to meet demand or meet quality standards, the financial performance and operating results of the Company may be adversely affected. If the prices charged by the Company's suppliers increase, the cost of manufacturing the Company's products would increase, which may have an adverse effect on the Company's financial results.

The Company depends on third parties to transport and deliver the Family Zone Box. Accordingly the Company is vulnerable to delays in transportation or delivery and increases in the cost of transportation and delivery services. The Company's products which are fragile may be damaged during the delivery process. The Company may be unable to recover the cost of such damage or replace products in a commercially necessary timeframe which may adversely impact on the Company's financial performance.

(s) **Product liability**

Retailing consumer products carries an inherent risk of product liability, and the Company may have to limit the retailing of products if the Company cannot successfully secure or renew product liability insurance or defend itself against product liability claims. The Company may not be able to obtain further product liability insurance, or may not be able to obtain insurance on commercially viable terms. Any product liability claims may disrupt the Company's business operations and may cause reputational harm by leading consumers to doubt product safety, quality and reliability of supply, adversely impacting the Company's financial performance.

(t) **Reliance on third party providers**

The Company's technology is built to work with various computer operating systems, internet platforms, computing networks and hardware devices. The Company is unable to control third party developers and providers of such systems and networks. Any changes to external platforms, networks, systems or devices that give preference to competing products or adversely impact on the functionality of the Company's products may render consumers less likely to use the Company's products, which may have a detrimental impact on the Company's financial performance. Likewise, many of the Company's products are predicated on consumers being able to access the internet. If third party providers raise the cost of internet access or restrict the ability of consumers to access the internet via the Company's products, this is likely to detrimentally affect the Company's financial performance.

(u) **Credit risks**

The Company partners with large distributors in the US to sell the Family Zone products and services. Accordingly, the Company will be exposed to credit risks relating to delayed or non-payment. A failure by the Company to adequately assess and manage credit risk may result in credit losses potentially resulting in a material adverse effect on the Company's business, operating and financial performance, including decreased operating cash flows.

4.2 General Risks

(a) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(i) general economic outlook;

(ii) introduction of tax reform or other new legislation;

(iii) interest rates and inflation rates;

(iv) changes in investor sentiment toward particular market sectors;

(v) the demand for, and supply of, capital; and

(vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(b) **Economic and government risks**

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries including, but not limited to, the following:

(i) general economic conditions in jurisdictions in which the Company operates;

(ii) changes in government policies, taxation and other laws in jurisdictions in which the Company operates;

(iii) the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the technology companies;

(iv) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and

(v) natural disasters, social upheaval or war in jurisdictions in which the Company operates.

(c) **Litigation**

The Company is exposed to the risk of actual or threatened litigation or legal disputes in the form of claims by former joint venture partners, personal injury and property damage claims, environmental and indemnity claims, employee claims and other litigation and disputes. There is a risk that such litigation, claims and disputes could materially and adversely affect the Company's operating and financial performance due to the cost of defending and/or settling such claims, and could affect the Company's reputation.

(d) **Investment risk**

The Shares to be issued pursuant to this Retail Entitlement Offer Document should be considered speculative. They carry no guarantee as to payment of dividends, return of capital or the market value of the Shares. The prices at which an investor may be able to trade the Shares may be above or below the price paid for the Shares. While the Directors commend the Retail Entitlement Offer, prospective investors must make their own assessment of the likely risks and determine whether an investment in the Company is appropriate to their own circumstances.

4.3 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares Retail Entitlement Offered under this Retail Entitlement Offer Document. Therefore, the Shares to be issued pursuant to this Retail Entitlement Offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for Shares pursuant to this Retail Entitlement Offer Document.

5. Underwriting

5.1 Underwriting agreement

The Company and the Joint Underwriters have entered into an underwriting agreement (**Underwriting Agreement**) pursuant to which the Joint Underwriters agreed to fully underwrite the Shares issued under the Capital Raising including all New Shares offered under the Retail Entitlement Offer (**Underwritten Shares**).

The Company must pay to the Joint Underwriters an underwriting fee of 1.5% and a selling and management fee of 3% of the full amount underwritten (with all fees and commissions due to sub-underwriters to be paid by the Joint Underwriters). Additionally, the Company will reimburse the Joint Underwriters for all reasonable costs and expenses of and incidental to the Capital Raising provided that the Joint Underwriters seek prior approval from the Company before incurring any individual cost exceeding $2,000.

The Joint Underwriters' obligation to underwrite is subject to the satisfaction of certain conditions precedent including execution of the sale and purchase agreement for the Company's acquisition of Smoothwall, the Company's delivery of certain due diligence materials to the Joint Underwriters, the results of the Institutional Entitlement Offer being announced to ASX and ASX not indicating that it will refuse quotation of the Shares to be issued under the Capital Raising.

The Company has agreed, subject to certain carve-outs, to indemnify and hold harmless the Joint Underwriters and their related indemnified parties from losses incurred directly or indirectly as a result of certain matters in connection with the Capital Raising.

The Underwriting Agreement contains termination clauses that relieve the Joint Underwriters of its obligations if certain events occur. These include:

- (Offer Document) a statement in the documents relating to the Capital Raising is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from those documents;
- (new circumstances) there occurs a new circumstance that arises after the documents relating to the Capital Raising are released on the ASX that would have been required to be included in those documents if it had arisen before lodgement;
- (Corrective Notice) in the reasonable opinion of the Joint Underwriters, the cleansing notice is defective, or a corrective notice is required to be issued under the Corporations Act and the Company does not issue a further cleansing notice or corrective notice in accordance with the Corporations Act;
- (Acquisition Agreement) the acquisition agreement for the Smoothwall Acquisition:
    i. is not entered into by 13 August 2021;
    ii. is terminated, withdrawn, rescinded, avoided or repudiated or an event occurs resulting in a party having the right to terminate the acquisition agreement;
    iii. is altered, amended or varied without the consent of the Joint Underwriters;
    iv. contains a condition precedent that becomes incapable of being satisfied;
    v. is breached, or there is a failure by a party to comply;
    vi. ceases to have effect, otherwise than in accordance with its terms; or
    vii. is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and affect, or its performance is or becomes illegal;
- (market fall) at any time the S&P/ASX 300 Indices falls to a level that is 90% or less of the level as at the close of trading on the last trading day before the date of this agreement, and remains at or below that level at the close of trading for 2 consecutive Business Days during any time after the date of this agreement or
- the Business Day immediately prior to the issue of the Underwritten Shares;
- (future matters) there are not, or there ceases to be, reasonable grounds in the reasonable opinion of the Joint Underwriters for any statement or estimate in the documents relating to the Capital Raising which relate to a future matter;
- (fraud) the Company or any of its respective directors or officers (as those terms are defined in the Corporations Act) engage, or have engaged since the date of this agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
- (quotation) approval is refused or not granted, to the quotation of the Underwritten Shares, on ASX or for the Underwritten Shares, to be traded through CHESS on or before the quotation date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (regulatory action) in relation to the Capital Raising or the documents relating to the Capital Raising:
    i. ASIC applies for an order under section 1324 or 1325 or gives notice of an intention to prosecute the Company or any of its directors;
    ii. ASIC holds, or gives notice of intention to hold, a hearing or investigation;

iii. ASIC prosecutes or commences proceedings against, or gives notice of an intention to prosecute or commence proceedings against, the Company; or
iv. an application is made by ASIC for an order under Part 9.5, or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth).

- (certificate not provided) the Company does not provide a certificate as and when required by this agreement;
- (insolvency events) the Company or any of its group members becomes insolvent, or there is an act or omission which is likely to result in it becoming insolvent;
- (Timetable) an event specified in the timetable for the Capital Raising up to and including the settlement date is delayed by more than one Business Day (other than any delay agreed);
- (Listing) the Company ceases to be admitted to the official list of the ASX or the Shares of the Company cease to be quoted on ASX;
- (unable to issue Offer Shares) the Company is prevented from allotting and issuing the Underwritten Shares within the time required by the documents relating to the Capital Raising, the Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a Governmental Agency;
- (change to the Company) other than issues under the Capital Raising, the Company alters the issued capital of the Company or any of its group members, disposes or attempts to dispose of a substantial part (directly or indirectly) of the business or property of the Company or any of its group members without the prior written consent of the Joint Underwriters;
- (prosecution) any of the following occur: a director of the Company is charged with an indictable offence, any governmental agency charges or commences any court proceedings or public action against the Company or any of its directors in their capacity as a director of the Company, or announces that it intends to take action; or any director of the Company is disqualified from managing a corporation under Part 2D.6;
- (regulatory approvals) if a regulatory body or government agency withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under this agreement or to carry out the transactions contemplated by the Capital Raising; or
- (force majeure) there is after the execution of the Underwriting Agreement an event or development of an existing event which makes it illegal for the Joint Underwriters to satisfy a material obligation under the Underwriting Agreement, or to market the Capital Raising or that causes the Joint Underwriters to delay satisfying a material obligation under the Underwriting Agreement.

The Joint Underwriters may also terminate the Underwriting Agreement if certain events occur which lead to the Joint Underwriters having reasonable grounds to believe the event is likely to (i) have a materially adverse effect on the Capital Raising, the Joint Underwriters' ability to market the Capital Raising or the likely price at which the Underwritten Shares will trade on ASX; or (ii) give rise to the Joint Underwriters or their affiliates contravening applicable law.

The Underwriting Agreement also contains covenants, warranties, representations and other terms usual for an agreement of this nature

6. Directors' interests in Company securities

Set out in the table below are details of the Directors' relevant interests in Securities of the Company at the date of this Retail Entitlement Offer Document and their proposed participation in the Retail Entitlement Offer.

Director	No. of Shares Held(1)	No. of Options Held (1)	No. of Performance Rights Held (1) (6)	Entitlement (7)	Intended take-up of Entitlement
Peter Pawlowitsch	8,298,085	6,000,000(2)	Nil	2,593,151	1,636,364(8)
Tim Levy	10,939,730	1,681,351(3)	8,099,207	3,418,665	-
Crispin Swan	4,163,245	197,838(4)	6,077,619	1,301,014	-
Matthew Stepka	2,000,000	Nil	1,000,000	625,000	-
Phil Warren	338,542	1,000,000(5)	Nil	105,794	105,794

(1) Held directly or indirectly by the Director or a related party of the Director.

(2) Comprising 3,000,000 Options each exercisable at $0.21 expiring 8 November 2022 and 3,000,000 Options each exercisable at $0.50 expiring 30 June 2025.

(3) Comprising 181,351 Options each exercisable at $0.18 expiring 18 March 2022 and 1,500,000 Options each exercisable at $0.50 expiring 30 June 2025.

(4) Options each exercisable at $0.18 expiring 18 March 2022.

(5) Options each exercisable at $0.21 expiring 7 July 2023.

(6) Performance Rights with various vesting conditions and milestones as detailed in the Company's 2020 annual report and Notice of Meeting dated 6 May 2021.

(7) Entitlement under the Retail Entitlement Offer to subscribe for New Shares held directly or indirectly by the Director or a related party of the Director, assuming no Options are exercised or Performance Rights are converted into Shares.

(8) Peter Pawlowitsch will take-up these New Shares under the Institutional Entitlement Offer.

7. Glossary of terms

$** or **A$ means Australian dollars.

Acquisition is as defined in Section 2.1(a).

AEST means Australian Eastern Standard Time.

Applicant means a person who submits an Entitlement and Acceptance Form.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) and where the context permits the Australian Securities Exchange operated by ASX Limited.

ASX Settlement means ASX Settlement Pty Ltd (ACN 008 504 532).

AWST means Australian Western Standard Time.

Business Day has the same meaning as in the Listing Rules.

CHESS means ASX Clearing House Electronic Subregister System.

Closing Date means the date identified as such in the indicative timetable in Section 2.4, or such other date as announced to ASX by the Company.

Capital Raising is as defined in Section 2.1(b).

Company or **Family Zone** means Family Zone Cyber Safety Limited ACN 167 509 177.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Directors mean the directors of the Company.

Eligible Jurisdictions mean Australia, New Zealand, Singapore, Hong Kong and the United Kingdom.

Eligible Shareholder means a person registered as the holder of Shares on the Record Date whose registered address is in an Eligible Jurisdiction.

Eligible Retail Shareholder is as defined in Section 2.3.

Entitlement means an Eligible Shareholder's entitlement to New Shares under the Entitlement Offer.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Retail Entitlement Offer Document that sets out the Entitlement of an Eligible Retail Shareholder to subscribe for New Shares under the Retail Entitlement Offer.

Entitlement Offer is as defined in Section 2.1(b).

Ineligible Institutional Shareholder means Ineligible Institutional Shareholders and Ineligible Retail Shareholders.

Ineligible Retail Shareholder means are Shareholder who is not an Eligible Retail Shareholder, Eligible Institutional Shareholder or an Ineligible Institutional Shareholder.

Ineligible Shareholder means Ineligible Institutional Shareholders and Ineligible Retail Shareholders.

Institutional Entitlement Offer is as defined in Section 2.1(b).

Institutional Investor means a person:

a. in Australia, to whom an offer of Shares may be made in Australia without a prospectus, product disclosure statement or other disclosure document (as defined in the Corporations Act) on the basis that such a person is an 'exempt investor' as defined in section 9A(5) of the Corporations Act as inserted by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84; or

b. in select jurisdictions outside Australia, to whom an offer of New Share may lawfully be made without registration, lodgement, filing or approval in accordance with the laws of that foreign jurisdiction (extent to the extent to which the Company is willing to comply with such requirements).

Institutional Shareholder means a Shareholder who is an Institutional Investor.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Joint Underwriters means Shaw and Partners Limited ACN 003 221 583 and Euroz Hartleys Limited ACN 104 195 057.

Listing Rules means the Listing Rules of ASX.

New Share means a Share proposed to be issued pursuant to the Entitlement Offer.

Official List means the official list of ASX.

Official Quotation means quotation of Shares on the Official List.

Opening Date means the date identified as such in the indicative timetable in Section 2.4, or such other date as announced to ASX by the Company.

Option means an unlisted option to acquire a Share.

Placement is as defined in Section 2.1(b).

Placement Shares is as defined in Section 2.1(b).

Record Date means 5:00pm (WST) on the date identified as such in the indicative timetable in Section 2.3, or such other date as announced to ASX by the Company.

Rights means the right to an Entitlement.

Retail Entitlement Offer is as defined in Section 2.2.

Retail Entitlement Offer Document means this document.

Section means a section of this Retail Entitlement Offer Document.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means the Company's share registry, Automic Pty Ltd ACN 152 260 814.

Shareholder means a holder of Shares.

Shortfall or **Shortfall Shares** means those New Shares offered under the Entitlement Offer for which valid Applications have not been received by the Closing Date.

Underwritten Agreement is as defined in Section 5.1.

Underwritten Shares is as defined in Section 5.1.