

TZ Limited
ACN 073 979 272

PROSPECTUS

1 for 3 renounceable rights issue of
approximately 28,068,306 New Shares
at \$0.35 per New Share to raise approximately \$ 9.82 million

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to the action you should take, consult your stockbroker, accountant, financial or other professional adviser immediately. (This document is a replacement prospectus which replaces a prospectus dated 16 November 2010, relating to shares of TZ Limited.)

Underwriter to the Rights Issue
Patersons Securities Limited
ACN 008 896 311

OFFER AT A GLANCE

SUMMARY OF OFFER

Entitlement:	One New Share for every three Existing Shares held by Eligible Shareholders as at 7.00pm on 23 November 2010
Shortfall Facility:	Applications may be made for more than the Entitlement of each Eligible Shareholder by applying for Additional Shares under the Shortfall Facility set out in section 2, and such Additional Shares may be issued out of any Shortfall (to the extent there is a Shortfall and subject to the discretion of the Underwriter in consultation with the Directors)
Issue price:	35.0 cents per New Share
Number of New Shares offered:	Approximately 28,068,306 New Shares
Amount to be raised:	Approximately \$9.82 million (before the costs of the Rights Issue)
Underwriting:	Subject to the terms of the Underwriting Agreement, the Rights Issue will be underwritten by Patersons Securities Limited
Offer opens:	29 November 2010
Offer closes:	5 pm (Sydney time) on 13 December 2010 (subject to variation as detailed below)

SUMMARY OF KEY DATES

Lodgement of Prospectus with ASIC and ASX	18 November 2010
Existing Shares quoted ex-rights & rights trading commences	17 November 2010
Record Date to determine Entitlements under the Rights Issue	23 November 2010
Prospectus and Entitlement and Acceptance Forms despatched and opening date of the Rights Issue	29 November 2010
Last day of rights trading	6 December 2010
Closing Date - final day for receipt of Entitlements and Acceptance Forms and Acceptance Moneys	13 December 2010
Company notifies ASX of under subscriptions	16 December 2010
Allotment of New Shares	21 December 2010
Despatch of holding statements for New Shares	21 December 2010

Subject to the Listing Rules, the Company reserves the right to vary the timetable without notice, in consultation with the Underwriter, including by extending the Closing Date or closing the Rights Issue early.

WHAT ACTIONS CAN YOU TAKE?

If you are an Eligible Shareholder you may do one of the following by 5 pm (Sydney time) on 13 December 2010:

	Payment	Entitlement and Acceptance Form
(a) Take up your Entitlement in full or in part	Payment can be made by cheque or BPay®.	Complete and return the Entitlement and Acceptance Form to the Share Registry.
(b) Take up your Entitlement in full and apply for Additional Shares	Payment can be made by cheque or BPay®.	Complete and return the Entitlement and Acceptance Form to the Share Registry.
(c) Sell all or part of your Entitlement on ASX	None. The person who buys your Entitlement will need to pay.	Complete the "Instructions to your stockbroker" section of the Entitlement and Acceptance Form and lodge the form with your stockbroker as soon as possible.
(d) Transfer all or part of your Entitlement to another person other than on ASX	None. The person who buys your Entitlement will need to pay.	If your shareholding is on the issuer sponsored subregister – Obtain a standard renunciation form from the Share Registry, complete and return it with the Entitlement and Acceptance Form to the Share Registry. If your shareholding is on the CHESSE subregister – contact your stockbroker.
(e) Take no action and allow your Entitlement to lapse	None	None

Please refer to section 2 for further details on each of the options above.

IMPORTANT NOTICE

This Prospectus is for the offer of one New Share for every three Existing Shares at 35.0 cents per New Share under a renounceable Rights Issue.

This Prospectus does not take into account your investment objectives, financial situation and particular needs. In particular, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional guidance before deciding whether to invest. A number of key risk factors that you should consider are outlined in section 4.

This Prospectus is dated 18 November 2010. A copy of the Prospectus was lodged with ASIC on that date. This Prospectus is a replacement prospectus which replaces a prospectus dated 16 November 2010 relating to shares of the Company. Neither ASIC nor ASX takes responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates. This Prospectus expires on 16 December 2011. No New Shares will be issued or allotted on the basis of this Prospectus after 16 December 2011.

The differences between this Prospectus and the prospectus dated 16 November 2010 which it replaces are that under this Prospectus the Record Date is changed from 24 November 2010 to 23 November 2010 and the date specified on which Shares are quoted ex-rights is changed from 18 November 2010 to 17 November 2010. Some immaterial amendments have also been included as a consequence of these date

changes.

Application for admission of the New Shares to quotation on ASX has been made to ASX.

Restrictions on the distribution of this Prospectus

The New Shares being offered under this Prospectus pursuant to the Rights Issue are being offered to Eligible Shareholders, being Shareholders with a registered address in Australia or New Zealand at 7.00 pm on the Record Date.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and therefore persons who come into possession of this document should seek advice on and observe any such restrictions. A failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

No action has been taken to register or qualify the New Shares or to otherwise permit a public offering of New Shares, outside Australia and New Zealand. The New Shares may not be offered in a jurisdiction outside Australia and New Zealand where such an offer is not made in accordance with the laws of that place.

More detail regarding restrictions on the distribution of this Prospectus, and limitations upon the jurisdictions in which the offers under the Prospectus are made, is set out in section 1.12.

Continuous Disclosure

This is a Prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) of the Company. The securities in the Company were reinstated to official quotation on ASX on 8 April 2004 following the Company changing its name to TZ Limited and completing the acquisition of TZ Inc. Since 8 April 2004 the Company has been subject to disclosure requirements under the Corporations Act and the Listing Rules. The Company has, since that date, provided ASX with information regarding its activities and that information is publicly available. This Prospectus is intended to be read in conjunction with that publicly available information. Eligible Shareholders should therefore also have regard to that publicly available information before making an investment decision.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Rights Issue which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company, the Directors, the Underwriter or any other person in connection with the Rights Issue.

Definitions

Some capitalised words or terms in this Prospectus have defined meanings which appear in the Glossary in section 7.

A reference to time in this Prospectus is to Australian Eastern Daylight Savings Time.

A reference to \$ and cents is to Australian currency, unless otherwise stated.

Electronic copy of the Prospectus

This prospectus is issued in paper form only.

Eligible Shareholders will be mailed a copy of this Prospectus, accompanied by a personalised Entitlement and Acceptance Form. If you wish to apply for New Shares, you may only do so by completing and returning an Entitlement and Acceptance Form that accompanies a paper version of this Prospectus.

This Prospectus has been placed on the Company's website at www.tz.net for information purposes only. Eligible Shareholders cannot apply for New Shares pursuant to the electronic version of this Prospectus.

Privacy

The Entitlement and Acceptance Form requires you to provide information that may be personal information for the purposes of the Privacy Act. The Company (and the Share Registry on its behalf) collects, holds and uses that personal information in order to assess your Application, service your needs as an investor, provide facilities and services you request and carry out appropriate administration. If you do not provide the information requested, your Application may not be processed efficiently, or at all.

Your personal information may also be disclosed to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. Your information may also be used or disclosed from time to time to inform you about the Company's products or services that the Company thinks may be of interest to you. If you do not want your personal information used for this purpose, you should contact the Company through the Share Registry at the telephone number or address listed below.

Under the Privacy Act, you may request access to your personal information held by, or on behalf of, the Company or the Share Registry. You can request access to your personal information by telephoning or writing to the Share Registry as follows:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
Australia

Telephone: 1300 608 512 (within Australia) or
+ 61 3 9938 4355 (outside Australia)

Facsimile: + 61 3 9473 2500

A copy of the Company's privacy policy is available on the Company's website (www.tz.net).

Underwriter

The Underwriter to this Rights Issue is Patersons Securities Limited. The underwriting is subject to the terms and conditions of the Underwriting Agreement, which are summarised in Section 5.1.

THIS PROSPECTUS IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY.

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Accompanying this Prospectus is a personalised Entitlement and Acceptance Form.

LETTER TO SHAREHOLDERS

TZ Limited
ABN 26 073 979 272



18 November 2010

Dear Shareholder

On behalf of the board of TZ Limited, I invite you, as an Eligible Shareholder, to participate in a renounceable Rights Issue.

The Rights Issue provides all Eligible Shareholders the opportunity to invest in one New Share for every three Existing Shares held at 7.00 pm on the Record Date. The New Shares will be issued at 35.0 cents per New Share. In addition, a Shortfall Facility is also being provided, whereby Eligible Shareholders may apply for Additional Shares over and above their Entitlement at the same price of 35.0 cents per Additional Share, if and to the extent there is any Shortfall. Further details of the Shortfall Facility are included in section 2 of the Prospectus for the Rights Issue.

The Prospectus was lodged with ASIC on 18 November 2010 and a copy will be sent to all Shareholders of the Company who are on the register of members as at 7.00 pm on 23 November 2010 and who have registered addresses in Australia or New Zealand.

The Rights Issue will raise approximately \$9.82 million (before the costs of the Rights Issue). This will be used to meet ongoing working capital requirements of the Company and to pay the costs of the Rights Issue. Further details on the proposed use of funds are set out in section 3.1 of the Prospectus for the Rights Issue.

Patersons Securities Limited has agreed to fully underwrite the Rights Issue, subject to the terms of the Underwriting Agreement. Patersons Securities Limited, the Underwriter, will subscribe for any New Shares not taken up by Eligible Shareholders under the Rights Issue and the Shortfall Facility. Sections 1.3 and 5.1 of the Prospectus contain further information on the underwriting.

To find out what you need to do to participate in the Rights Issue, please refer to section 2 of this Prospectus. I urge you to read the Prospectus thoroughly. The Prospectus is intended to be read in conjunction with publicly available information relating to the Company, including the Company's audited financial statements for the financial year ended 30 June 2010. The audited financial statements for the financial year ended 30 June 2010 and other information regarding the Company can be accessed via links on the Company website, www.tz.net.

I believe that the Company will be able to take advantage of a number of sales opportunities with the funds to be raised from the Rights Issue and help give the Company the opportunity to build a sustainable and profitable business. For these reasons I strongly support this capital raising initiative and intend to take up my Entitlement in full under the Rights Issue. I also confirm that my fellow Director, Kenneth Ting, also intends to take up his Entitlement in full under the Rights Issue.

I therefore, subject to the risk factors outlined in section 4 of the Prospectus, commend the Rights Issue to you and look forward to your participation.

Yours sincerely,

A handwritten signature in cursive script that reads 'Mark Bouris'.

Mark Bouris
Executive Chairman

Sydney (Registered Office)
Level 11, 1 Chifley Square
Sydney, NSW 2000 Australia

Chicago (Operational Headquarters)
520 West Erie Street, Suite 210
Chicago, IL 60654 United States

ASX: TZL
Web: www.tz.net
Email: info@tz.net

1. SUMMARY OF THE RIGHTS ISSUE

1.1 General

This Prospectus invites Eligible Shareholders to participate in a pro-rata renounceable Rights Issue of approximately 28,068,306 New Shares. The Rights Issue will be conducted on the basis of one New Share for every three Existing Shares held by Eligible Shareholders 7.00 pm on the Record Date, at an issue price of 35.0 cents per New Share payable in full on application.

A summary of the rights attaching to New Shares is set out in section 6.1. New Shares will be issued on the same terms and rank equally in all respects with Existing Shares.

1.2 Additional Shares

In addition to their Entitlement, Eligible Shareholders may apply for Additional Shares pursuant to the Shortfall Facility. Further details of the Shortfall Facility are included in section 2.3.

1.3 Underwriting & Commitment

The Rights Issue, subject to the terms of the Underwriting Agreement, will be fully underwritten by the Underwriter, Patersons Securities Limited. A summary of the Underwriting Agreement is set out in section 5.1.

Subject to the terms of the Underwriting Agreement, the Underwriter will subscribe for any New Shares that are not taken up by Eligible Shareholders accepting their Entitlement.

1.4 Use of funds

The net proceeds of the Rights Issue of approximately \$9,232,000 (after estimated costs of \$588,000) will be used to meet ongoing working capital requirements of the Company to enable the Group to hire more employees, to more effectively manage the finished goods inventory of TZI and to further grow and develop the businesses of TZI and PDT.

Further details of the proposed use of funds are set out in section 3.1.

1.5 Record Date and Entitlements

The Record Date for participation in the Rights Issue is 7.00 pm (Sydney time) on 23 November 2010.

Fractional entitlements to New Shares will be rounded up to the nearest whole New Share. The Entitlement of an Eligible Shareholder to subscribe for New Shares is shown on the personalised Entitlement and Acceptance Form accompanying this Prospectus.

1.6 Minimum subscription

There is no minimum subscription under the Rights Issue.

1.7 Opening and Closing Date for Applications

The Rights Issue opens for acceptances on 29 November 2010 and all Entitlement and Acceptance Forms and Acceptance Moneys must be received by no later than 5pm (Sydney time) on 13 December 2010, subject to the Directors reserving the right to vary the Closing Date in consultation with the Underwriter and in accordance with the Listing Rules.

1.8 Trading of Entitlements

The Entitlements to New Shares are renounceable. This means that Eligible Shareholders can offer to sell their Entitlements on ASX or otherwise transfer them if they do not wish to take up some or all of the New Shares to which they are entitled. Refer to section 2 for instructions on how to deal with your Entitlement.

Trading of Entitlements on ASX commenced on 17 November 2010 and will end on 6 December 2010. Eligible Shareholders may also sell some or all of their Entitlements off-market if they decide not to accept their full Entitlement to the New Shares.

The Company has appointed the Nominee to sell the Entitlements of Ineligible Shareholders (see section 1.12 for further information).

Subject to the Underwriting Agreement, the Underwriter will subscribe for the New Shares not taken up pursuant to Entitlements or under the Shortfall Facility.

1.9 ASX quotation

The Company will apply to ASX for the quotation of the New Shares within seven days of the date of this Prospectus. If the New Shares are not granted quotation within three months after the date of the Prospectus, all Acceptance Moneys received will be returned (without interest) in accordance with the Corporations Act.

1.10 Market prices of Shares on ASX

The lowest and highest market prices of Shares on ASX during the 3 months immediately preceding the date of this Prospectus were \$0.27 and \$0.70 respectively.

The last price of Shares on ASX on the trading day prior to the date of this Prospectus was 43.5 cents.

1.11 Allotment of New Shares

The allotment of the New Shares will take place as soon as practicable after the Closing Date (expected to be 21 December 2010). It is expected that holding statements for the New Shares will be posted to you no later than 21 December 2010. However, if the Closing Date is extended, the dates for allotment and posting may also be extended.

No allotment of New Shares will be made until permission is granted for their quotation by ASX.

All Acceptance Moneys will be held in trust by the Company in a designated account until allotment or payment of refunds in accordance with the Corporations Act. Any interest earned on the Acceptance Moneys will be retained by the Company, irrespective of whether allotment takes place.

1.12 Shareholders outside Australia and New Zealand

General Restrictions

This Prospectus and accompanying Entitlement and Acceptance Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

No action has been taken to register or qualify the Entitlements or New Shares, or to otherwise permit an offering of the Entitlements or New Shares, outside Australia and New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and therefore persons who come into possession of this document should seek advice on and observe any such restrictions. A failure to comply with these restrictions may constitute a violation of applicable securities laws.

The Company reserves the right to treat as invalid any Entitlement and Acceptance Form that appears to have been submitted by an Ineligible Shareholder.

It is the responsibility of any Applicant to ensure compliance with any laws of the country relevant to their application. Return of a duly completed Entitlement and Acceptance Form and/or payment of the Acceptance Moneys will be taken by the Company to constitute a representation that there has been no breach of such laws and that the Applicant is physically present in Australia or New Zealand.

New Zealand Securities Law Requirements

The Rights Issue will be offered in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand) by virtue of which this Prospectus is not required to be registered in New Zealand.

Ineligible Shareholders

The Company is not extending the Rights Issue to Ineligible Shareholders having regard to:

- (a) the cost of complying with legal and regulatory requirements outside Australia and New Zealand;
- (b) the number of Ineligible Shareholders; and
- (c) the number and value of New Shares which would otherwise be offered to Ineligible Shareholders.

Where the Prospectus has been despatched to Ineligible Shareholders, the Prospectus is provided for information purposes only.

In limited circumstances the Company may elect to treat as Eligible Shareholders certain Shareholders who would otherwise be Ineligible Shareholders, provided the Company is satisfied that it is not precluded from lawfully issuing New Shares to such Shareholders either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.

The Company has appointed the Nominee to sell the Entitlements of Ineligible Shareholders on ASX if there is a viable market in the Entitlements and a premium over the expenses of sale can be obtained.

The Nominee, in its absolute discretion, may determine the price or manner in which any sale is made.

Any interest earned on the proceeds of the sale of these Entitlements will firstly be applied against expenses of such a sale, including brokerage, and any balance will accrue to the Company.

The proceeds of sale (if any) will be distributed to the Ineligible Shareholders for whose benefit the Entitlement have been sold in proportion to their shareholdings (after deducting brokerage commission and other expenses).

Neither the Company nor the Nominee will be liable for a failure to sell Entitlements or to sell Entitlements at any particular price. If there is no viable market for the Entitlements of Ineligible Shareholders, their Entitlements will be allowed to lapse and the relevant New Shares will revert to the Shortfall to be dealt with under the Shortfall Facility or be issued to the Underwriter in accordance with the terms of the Underwriting Agreement.

1.13 Unquoted Options

As at 18 November 2010, the Company had 10,713,041 unquoted Options on issue. These Options have exercise periods ranging between 31 December 2010 to 30 June 2018. An additional 3,000,000 unquoted Options were approved to be issued at the 2010 AGM on the terms set out in the 2010 AGM Notice of Meeting.

Options do not carry Entitlements to participate in the Rights Issue.

1.14 Taxation considerations

Shareholders should be aware that there are taxation implications for subscribing for New Shares and for the selling of the Entitlements acquired pursuant to this Prospectus.

The taxation consequences will depend upon your particular circumstances.

Potential investors must make their own enquiries concerning the taxation consequences of an investment in the Company. Applicants should consult their tax adviser for advice applicable to their individual needs and circumstances.

Neither the Company, the Underwriter nor any of their officers, employees, agents and advisers accept any liability or responsibility in respect of the taxation consequences connected with your participation in the Rights Issue.

2. ACTION REQUIRED BY ELIGIBLE SHAREHOLDERS

2.1 What you may do – choices available

The number of New Shares to which an Eligible Shareholder is entitled is shown on the Entitlement and Acceptance Form that accompanies this Prospectus. If you are an Eligible Shareholder you may either:

- take up your Entitlement in full or in part (see section 2.2); or
- take up your Entitlement in full and apply for Additional Shares (see section 2.3); or
- sell all or part of your Entitlement on ASX (see section 2.4); or
- transfer all or part of your Entitlement to another person other than on ASX (see section 2.5); or
- take no action and allow your Entitlement to lapse (see section 2.6).

2.2 Accepting your Entitlement in full or in part

Complete Box B on the Entitlement and Acceptance Form by inserting the number of New Shares you wish to apply for. Complete the balance of the form in accordance with the instructions set out on it.

Payment may be made by cheque or BPay[®]. The Issue Price of 35.0 cents per New Share is payable in full on acceptance of your Entitlement.

(a) **Payment by cheque**

Forward your completed Entitlement and Acceptance Form, together with your cheque for the Acceptance Moneys, to the Share Registry at the address set out in section 2.7. Completed Entitlement and Acceptance Forms and cheques must be **received** by no later than 5pm (Sydney time) on 13 December 2010.

Cheques must be drawn on and payable at any Australian bank, and made payable to "TZ Limited – Rights Issue Account" and crossed "Not Negotiable".

(b) **Payment by BPay[®]**

Payment by BPay[®] should be made according to the instructions set out on the Entitlement and Acceptance Form. Acceptance Moneys paid by BPay[®] must be received by 5 pm (Sydney time) on 13 December 2010. If the BPay[®] payment is for any reason not received or not received in full, you will be deemed to have applied for the number of New Shares that the cleared moneys will pay for.

Shareholders should be aware of the timing for the processing of payment by cheque and BPay[®] in choosing the appropriate payment method.

Lodgement of the Entitlement and Acceptance Form constitutes an irrevocable offer made in accordance with the provisions of the form.

Applicants are asked not to forward cash. Receipts for payments will not be issued.

Acceptance Moneys will be held in trust by the Company in a designated account until allotment. Any interest earned on the Acceptance Moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether allotment takes place.

2.3 Apply for Additional Shares under Shortfall Facility

If an Eligible Shareholder elects to take up their Entitlement in full, that Eligible Shareholder may also apply for Additional Shares. The issue of Additional Shares is limited to any Shortfall under the Rights Issue.

To apply for Additional Shares, complete the "Additional Shares" section on the Entitlement and Acceptance Form (box C). Any such Application for Additional Shares will be dealt with as follows:

- (a) An Eligible Shareholder, to apply for any Additional Shares, must first have taken up all of their Entitlement.
- (b) An Eligible Shareholder applying for Additional Shares is entitled to apply for all or any part of the Shortfall ("**Shortfall New Shares**").
- (c) An Eligible Shareholder will not be entitled to any Shortfall New Shares to the extent the issue and allotment of those Shortfall New Shares will result in a breach of any law or an Eligible Shareholder obtaining voting power in Shares of greater than 20%.
- (d) As to whether all or any Additional Shares are allocated to Eligible Shareholders who have applied for Additional Shares is at the discretion of the Underwriter in consultation with the Directors and in accordance with the provisions of the Underwriting Agreement.

Neither the Company nor the Underwriter guarantees that you will receive any of the Additional Shares that you may apply for.

The application price for Shortfall New Shares is 35.0 cents, the same price as New Shares are offered under the Rights Issue.

If you wish to participate in the Shortfall Facility, complete the "Additional Shares" section (box C) on the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form. You must also provide payment with your Entitlement and Acceptance Form to cover all of the Additional Shares for which you are applying.

Payment should be made, and the completed Entitlement and Acceptance Form should be forwarded to the Share Registry, in accordance with the instructions for the payment for New Shares in section 2.2.

If you are not allocated all or any of the Additional Shares that you have applied for, you will be provided with a refund of the balance of the Acceptance Moneys as well as your allocated Shortfall New Shares.

Any Shortfall New Shares not subscribed for under this Shortfall Facility will revert to the Underwriter, to be dealt with in accordance with the Underwriting Agreement (see section 5.1).

The number of Shortfall New Shares available to Secondary Applicants will be determined within 3 Business Days of the Closing Date. Shortfall New Shares issued to Secondary Applicants will be issued at the same time as all the other New Shares under the Rights Issue. If you have applied for Additional Shares, you will be notified of your share of the Shortfall at the time of despatch of holding statements for New Shares under the Rights Issue.

New Shares (including Shortfall New Shares) are expected to be issued and allotted and shareholding statements despatched by 21 December 2010. It is the responsibility of Shareholders to confirm the number of New Shares allotted to them prior to trading on ASX. Shareholders who sell their New Shares before they receive their holding statements do so at their own risk.

2.4 Selling all or part of your Entitlement on ASX

Complete the section on the back of the Entitlement and Acceptance Form marked "Instructions to your stockbroker" in relation to those Entitlements you wish to sell and send the form to your stockbroker as soon as possible.

Trading of Entitlements on ASX will commence on 17 November 2010 and sale of your Entitlements must be completed on or before 6 December 2010, when Entitlements trading ceases. Brokerage may be payable to your stockbroker in connection with the sale of Entitlements on ASX.

In dealing with the completed Entitlement and Acceptance Form, your stockbroker will act on your behalf. The Company accepts no responsibility for any failure by your stockbroker to carry out your instructions.

Persons who buy Entitlements on ASX and apply for New Shares will need to pay the Issue Price of the New Shares to take them up and should follow the directions of their stockbroker. The Company reserves the right to reject an Application by a person who has purchased an Entitlement for New Shares to the extent that the issue and allotment of those New Shares would result in a breach of any law or a person obtaining voting power in Shares of greater than 20% in breach of section 606 of the Corporations Act.

2.5 Transferring all or part of your Entitlement to another person other than on ASX

If your Entitlement is held on the issuer sponsored subregister, send a completed standard renunciation form (which can be obtained from your stockbroker or the Share Registry) and your Entitlement and Acceptance Form to the Share Registry at the address set out in section 2.7 by no later than 5 pm (Sydney time) on 13 December 2010. Renunciations must be signed by both buyer and seller before being lodged with the Share Registry.

If your Entitlement is held on the CHESS subregister, you will need to contact your stockbroker for further instructions.

Persons who buy Entitlements and apply for New Shares will need to pay the Issue Price of the New Shares to take them up. The completed Entitlement and Acceptance Form together with your cheque for the Acceptance Moneys will need to be lodged with the Share Registry at the address set out in section 2.7 by no later than 5.00 pm (Sydney time) on 13 December 2010.

Please note, if the Share Registry receives both a completed renunciation form and a completed Entitlement and Acceptance Form in respect of the same rights, the renunciation will be given priority over the acceptance.

2.6 Not accepting any part of your Entitlement

The Entitlements you are entitled to may be valuable. If you decide not to take up all or part of your Entitlements, you should consider selling your Entitlements rather than allow them to lapse. You will receive no benefit for Entitlements which lapse. Accordingly it is important that you consider taking action either to accept or sell your Entitlements.

Entitlements not accepted will form part of the Shortfall and will be dealt with under the Shortfall Facility or, subject to the terms of the Underwriting Agreement, revert to the Underwriter (see section 5.1).

2.7 Address details and enquiries

When paying by cheque, please forward the completed Entitlement and Acceptance Form and cheque for the Acceptance Moneys to the Share Registry by mail in the enclosed prepaid envelope or delivered to the following address:

By mail:

Computershare Investor Services Pty Limited
GPO Box 253
Sydney NSW 2001

For further information on your Entitlement or how to accept your Entitlement, please contact the Share Registry as follows:

Computershare Investor Services Pty Limited
Telephone:
1300 608 512 (within Australia) or
+ 61 3 9938 4355 (outside Australia)

3. PURPOSE AND EFFECT OF THE RIGHTS ISSUE

3.1 Purpose of the Rights Issue

Under the Rights Issue the Company expects to raise approximately \$9.82 million before expenses. Fees and costs related to the Rights Issue are expected to be approximately \$588,000.

The proceeds of the Rights Issue will provide additional working capital for the Company to be used by the Company to:

- (a) enable TZI to recruit additional sales and business development employees in the United States of America, Europe, Asia and Australia to support the growth of TZI in line with anticipated demand and the established pipeline of business opportunities;
- (b) enable TZI to develop a technical services operation capable of supporting service and maintenance contracts associated with the sale of hardware and software solutions across the existing Infrastructure Protection and Packaged Asset Delivery businesses of TZI;
- (c) provide funding to support extension of current TZI product and technology offerings in line with identified market and customer requirements;
- (d) enable TZI to more effectively manage its finished goods inventory to meet sales pipeline requirements and meet industry accepted delivery lead-times;
- (e) enable TZI and PDT to explore strategic business initiatives that support the Company's growth objectives; and
- (f) enable the Company to fund other ongoing working capital requirements of the Company (including the expected fees and costs related to the Rights Issue of approximately \$588,000).

3.2 Capital structure

As at the date of this Prospectus:

- (a) The Company has 76,113,473 Shares on issue. A further 8,091,446 Shares will be issued prior to the Record Date under the Placement, as announced to the ASX on 10 November 2010. This will increase the number of Shares on issue at the Record Date to 84,204,919 Shares.
- (b) The Company has 13,714 unquoted Convertible Notes on issue, each having a face value of \$1,000 (totalling \$13,714,000).
- (c) The Company has 1,232,500 unquoted Series II Convertible Notes on issue, each having a face value of \$1 (totalling \$1,232,500). 500,000 of these Series II Convertible Notes are agreed to be redeemed on or before 30 November 2010 and the remaining 732,500 Series II Convertible Notes are to be converted into Shares in accordance with Resolution 8 which was passed by Shareholders at the 2010 AGM. It is not expected that the Shares to be issued upon conversion of the 732,500 Series II Convertible Notes will be eligible to participate in the Rights Issue as it is likely that those Shares would be issued after the Record Date.
- (d) The Company has 1,400,000 Share Rights on issue which, if exercised, will convert into 1,400,000 Shares. The Share Rights are exercisable from 1 July 2011 to 30 June 2012 subject to the satisfaction of the performance hurdles applying to the Share Rights.
- (e) The Company has the following unquoted Options on issue, and each Option is exercisable into one Share for the following respective exercise prices (and each Option, if not exercised, expires on the following respective expiry dates):

Number of Options	Exercise price per Option	Expiry Date
452,375	\$6.00	31 December 2010
100,000	\$3.75	18 January 2011
195,000	\$3.75	19 January 2011
149,000	\$3.00	20 January 2011
180,000	\$6.00	30 January 2011
75,000	\$6.00	7 February 2011
150,000	\$1.00	29 March 2011
116,666	\$6.00	25 August 2011
1,045,000	\$2.50	24 October 2011
3,000,000	\$4.00	19 February 2013
1,750,000	\$1.00	30 June 2016
1,750,000	\$1.00	30 June 2017
1,750,000	\$1.00	30 June 2018

The holders of the Options will not be eligible to participate in the Rights Issue unless they are entitled to exercise their Options under the terms of their issue and they do so prior to the Record Date. It is unlikely any of the Options will be exercised before the Record Date, as the exercise price of the Options exceeds the closing Share price on the last trading day prior to the date of this Prospectus.

The holders of the Convertible Notes will not be eligible to participate in the Rights Issue unless they convert their Convertible Notes into Shares prior to the Record Date. All of the Convertible Notes are held by the QVT Funds and the QVT Funds have advised the Company that they will not be converting any of the Convertible Notes into Shares before the Record Date.

A total of approximately 28,068,306 New Shares will be issued under this Prospectus as a result of the Rights Issue, assuming that:

- (a) the Placement takes place on or prior to the Record Date;
- (b) no Shares are issued pursuant to the conversion of the Convertible Notes, the exercise of the Share Rights or the exercise of the Options on or before the Record Date; and
- (c) the Series II Convertible Notes are converted into Shares after the Record Date.

If the Placement occurs after the Record Date then, subject to the assumptions in paragraphs (b) and (c) above, the number of Shares on issue at the Record Date will be 76,113,473 Shares and the number of New Shares that would be issued under the Rights Issue would reduce to 25,371,157 New Shares, which would raise approximately \$8,879,904.95 before the payment of the costs and expenses of the Rights Issue.

The following table shows the proposed capital structure of the Company on Completion of the Rights Issue:

Security	Number at date of this Prospectus	Number following Rights Issue
Shares	76,113,473*	112,273,225**
Convertible Notes	13,714	13,714
Series II Convertible Notes	1,232,500	0***
Share Rights	1,400,000	1,400,000
Options	10,444,000	10,444,000

* It is expected that this number will increase to 84,204,919 Shares before the Record Date as a result of the Placement of 8,091,446 Shares as announced to the ASX on 10 November 2010.

** The above table assumes that no Shares are issued pursuant to conversion of any of the Convertible Notes or Share Rights on or before Completion of the Rights Issue and that the Placement has occurred on or before the Record Date. The above table also assumes that the Underwriting Agreement has not been terminated as a result of any termination event (which termination events are detailed in section 5.1 of this Prospectus).

*** The above table assumes that 500,000 Series II Convertible Notes are redeemed by the Company on or before 30 November 2010 and, as a consequence of the passing of Resolutions 8 and 9 at the 2010 AGM, 732,500 Series II Convertible Notes are converted into Shares after the Record Date.

3.3 Financial effect of Rights Issue on Company - Pro Forma Statement of Financial Position

Introduction

The effect of the Rights Issue on the Company's financial position will be to increase consolidated net assets and consolidated total equity by \$9,235,907 after payment of the cash expenses of the Rights Issue which are estimated at \$588,000. It is intended that these funds will be applied as set out in section 3.1 of this Prospectus.

To illustrate the effect of the Rights Issue on the Company, the following unaudited pro forma consolidated statement of financial position of the Company has been prepared based on the Company's audited consolidated statement of financial position as at 30 June 2010 (which was released to ASX on 30 September 2010).

This section should be read in conjunction with the risk factors as set out in section 4, when considering the financial information and assessing the future performance of the Company.

Basis of preparation and presentation

The unaudited pro forma consolidated statement of financial position is presented in an abbreviated form and does not comply with all the presentation and disclosure requirements of Australian Accounting Standards applicable to annual reports prepared in accordance with the Corporations Act.

The accounting policies adopted in the preparation of the unaudited pro forma consolidated statement of financial position are consistent with the accounting policies adopted and described in the Company's full consolidated financial report for the year ended 30 June 2010 and should be read in conjunction with that report. A copy of the Company's consolidated financial report for the financial year ended 30 June 2010 can be downloaded from the Company's website www.tz.net.

The Company's consolidated financial report for the year ended 30 June 2010 has been audited by BDO Audit (NSW-VIC) Pty Limited ("**BDO**") in accordance with Australian Auditing Standards.

The auditor's opinion, as set out in the independent auditor's report to the members of the Company signed by BDO on 30 September 2010, was qualified. The auditor's opinion was qualified because the Directors and management in office at the date of the report had been unable to obtain all of the consolidated entity's books and records relating to periods prior to 30 June 2009. Accordingly, BDO was not in a position to, and did not, express an opinion on the comparatives for 2009 and the results of the consolidated entity's operations and its cash flows for the year ended 30 June 2010. However, BDO was of the opinion that the statement of financial position of the consolidated entity was in accordance with the Corporations Act 2001 and gave a true and fair view of the consolidated entity's financial position as at 30 June 2010 and complied with Australian Accounting Standards and the Corporations Regulations 2001.

In addition, BDO noted that at 30 June 2010 the consolidated entity's current liabilities exceeded current assets by \$6,706,792. For the year ended 30 June 2010 the consolidated entity incurred losses after income tax of \$26,347,322 and net cash outflows from operating activities of \$4,352,169.

BDO noted that the ability of the consolidated entity to continue as a going concern was dependent on the consolidated entity raising additional share capital, generating future profits and positive cash flows and the continued support of the consolidated entity's lenders and shareholders. BDO noted that these conditions indicated the existence of a material uncertainty, which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

BDO therefore concluded that in the event that the consolidated entity is unable to continue as a going concern, it may be required to realise its assets and liabilities other than in the normal course of business and at amounts different to those currently recorded in the audited financial statements for the year ended 30 June 2010. BDO noted that the audited financial statements for the year ended 30 June 2010 did not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the economic entity not continue as a going concern.

A copy of the independent auditor's report issued by BDO, incorporating the qualified auditor's opinion, can be found in the Company's consolidated financial statements for the year ended 30 June 2010 which can be downloaded from the Company's website www.tz.net or from ASX's website www.asx.com.au under the Company's code TZL.

For the purposes of the unaudited pro forma consolidated statement of financial position, which has been prepared for illustrative purposes to show the impact of the Rights Issue on the audited consolidated statement of financial position as at 30 June 2010, it is assumed that the proceeds of the Rights Issue will be applied to pay the costs of the Rights Issue in the sum of \$588,000 and the balance to increase cash, consistent with the proposed use of funds set out in section 3.1. The unaudited pro forma statement of financial position is not represented as being indicative of the Company's views on its future financial condition and/or performance.

Transaction Adjustments

The unaudited pro forma column in the following consolidated statement of financial position has been adjusted to reflect the following transactions relating to the Rights Issue:

- the issue of 8,091,446 Shares at 35 cents per Share under the Placement and the receipt of \$2,832,006 under the Placement from the issue of the 8,091,446 Shares.
- the issue of 28,068,306 New Shares under the Rights Issue and no Shares being issued pursuant to the exercise of Options, the conversion of Convertible Notes or Series II Convertible Notes or the exercise of Share Rights on or before the Record Date.
- receipt of \$9,823,907 under the Rights Issue from the issue of 28,068,306 New Shares.
- fees and costs of the Rights Issue having been paid, estimated at \$588,000.

TZ LIMITED	CONSOLIDATED		
	Audited 30 June 2010 \$	Unaudited adjustments	Pro forma unaudited 30 June 2010 \$
Pro forma Statement of Financial Position as at 30 June 2010			
Current assets			
Cash and cash equivalents	232,358	12,067,913	12,300,271
Trade and other receivables	4,482,501	-	4,482,501
Work in progress	567,393	-	567,393
Total current assets	<u>5,282,252</u>	<u>12,067,913</u>	<u>17,350,165</u>
Non-current assets			
Property, plant and equipment	1,974,293	-	1,974,293
Intangible assets	24,543,062	-	24,543,062
Deferred tax asset	635,224	-	635,224
Total non-current assets	<u>27,152,579</u>	<u>-</u>	<u>27,152,579</u>
Total assets	<u>32,434,831</u>	<u>12,067,913</u>	<u>44,502,744</u>
Current liabilities			
Trade and other payables	5,237,497	-	5,237,497
Provisions	86,500	-	86,500
Other financial liabilities	6,665,047	-	6,665,047
Total current liabilities	<u>11,989,044</u>	<u>-</u>	<u>11,989,044</u>
Non-current liabilities			
Trade and other payables	533,130	-	533,130
Other financial liabilities	14,213,342	-	14,213,342
Deferred tax liabilities	829,091	-	829,091
Total non-current liabilities	<u>15,575,563</u>	<u>-</u>	<u>15,575,563</u>
Total liabilities	<u>27,564,607</u>	<u>-</u>	<u>27,564,607</u>
Net assets	<u>4,870,224</u>	<u>12,067,913</u>	<u>16,938,137</u>
Equity			
Contributed equity	130,675,256	12,067,913	142,743,169
Reserves	(706,147)	-	(706,147)
Accumulated losses	(125,098,885)	-	(125,098,885)
Total equity	<u>4,870,224</u>	<u>12,067,913</u>	<u>16,938,137</u>

The unaudited pro forma consolidated statement of financial position does not include any adjustment for the following unaudited transactions:

- the effect of the drawdown of US\$4,100,000 on 15 July 2010 under the QVT Loan Facility;
- the effect of the conversion of 3,918,500 Series II Convertible Notes held by Sydcomp into 10,000,924 Shares on 15 July 2010;
- the effect of the conversion of 90,000 Series II Convertible Notes held by Sydcomp into 228,836 Shares on 22 July 2010;
- the effect of issuing 1,198,196 Shares to Deutsche Bank AG London as custodian for the QVT Funds at an issue price of \$1.00 per Share in full and final satisfaction of the Company's liability to pay \$1,198,196 to the QVT Funds in respect of moneys paid by the QVT Funds on behalf of the Company since July 2009, on 11 October 2010;
- the effect of any change in the conversion price of the Convertible Notes, and accordingly any subsequent change in valuation of the Convertible Notes and the derivative instrument liabilities, arising from the issuing of the Placement Shares and the Rights Issue at 35 cents per Share. The conversion price of the Convertible Notes at

30 June 2010 was 42 cents per Share, being the value of the most recent Share issue by the Company at that date; and

- the effect of the conversion of 732,500 Series II Convertible Notes into Shares as a consequence of the passing of Resolutions 8 and 9 at the 2010 AGM.

3.4 Secondary trading

The Company announced on 10 November 2010 that it had agreed to issue 8,091,446 Shares at an issue price of 35 cents for each Share, conditional on Shareholders approving the Resolutions at the 2010 AGM which will enable the Company to refresh its capacity to issue further Shares under ASX Listing Rule 7.1. The Resolutions were passed at the 2010 AGM and the Company is able to issue the Placement Shares. Also, as Resolutions 8 and 9 were passed at the 2010 AGM, the Company is able to issue Shares (the “**Conversion Shares**”) upon the conversion of the 732,500 Series II Convertible Notes referred to in Resolutions 8 and 9.

The Company also issued 1,198,196 Shares on 11 October 2010.

The 1,198,196 Shares issued on 11 October 2010 were issued without disclosure under Chapter 6D of the Corporations Act. The Placement Shares and the Conversion Shares will be issued without disclosure under Chapter 6D of the Corporations Act.

Generally, section 707(3) of the Corporations Act requires a prospectus to be issued if securities are offered for sale within 12 months after their issue and the issue of those securities is without disclosure (e.g. via a prospectus) to investors under Chapter 6D of the Corporations Act.

Section 708(11) of the Corporations Act provides an exemption from this general requirement where:

- (a) the relevant securities are in a class of securities of the company that are already quoted on ASX;
- (b) a prospectus is lodged with ASIC either:
 - (i) on or after the day on which the relevant securities were issued (section 708A(11)(b)(i)); or
 - (ii) before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued (section 708A(11)(b)(ii)); and
- (c) the prospectus is for an offer of securities issued by the company that are in the same class of securities as the relevant securities.

Offers under this Prospectus are expected to be still open for acceptance on the day the Placement Shares are expected to be issued and on the day the Conversion Shares are expected to be issued. If so, the Offer and this Prospectus will satisfy the requirements of section 708A(11) of the Corporations Act in respect of the Placement Shares and the Conversion Shares to be issued and in respect of the 1,198,196 Shares issued on 11 October 2010, and will therefore relieve the persons to whom the 1,198,196 Shares were issued on 11 October 2010 and the persons to whom the Placement Shares and the Conversion Shares are to be issued from the obligation to issue a prospectus if they wish to sell any of those Shares within 12 months of their respective dates of issue by the Company.

4. RISK FACTORS

4.1 Introduction

An investment in the Company involves a high degree of risk and should be considered speculative, particularly having regard to the stage of the Company's business development and the significant uncertainty surrounding the nature and extent of the growth of the remote fastening markets. There are a number of factors that may have a material adverse effect on the Company's future operating and financial performance.

The principal risk factors are described below. While some of these risks can be mitigated by the use of appropriate safeguards and systems, many are outside the control of the Company and cannot be mitigated. Whilst the Company intends to continue to adopt prudent management techniques to minimise these risks to Shareholders, they should still be carefully considered by potential investors when evaluating an investment in the Company.

4.2 General Market Risk

Share investments carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may be valued in the market.

The stock markets in general, and particularly the market for technology companies, have recently experienced price and volume volatility. There can be no assurance that trading prices, volumes and valuations will be sustained. These broad market and industry factors may materially and adversely affect the market value of the Company's Shares, regardless of the Company's financial performance.

Market fluctuations, as well as general political and economic conditions such as recession, interest rate or currency rate fluctuations, may also adversely affect the price at which the Company's Shares may be traded in the future.

Factors such as general economic conditions, exchange rates, interest rates, regulatory environments, barriers to entry, competitive pressures, investor attitudes, stock market fluctuations around the world, changes in inflation and variations in general market conditions can all have an adverse effect on the perceived value of the Company's Shares.

4.3 Management of Growth

The Company expects additional growth and expansion into new markets. This has the potential to extend management and operations. The Company's ability to generate revenue will depend on its ability to manage the efficient expansion of its operational and technological capabilities, and relationships with various third parties across jurisdictions.

4.4 Regulatory Factors

As the Company expands into different markets, it is likely that it will be subject to a wide array of codes and regulations governing the reliability and safety of its various enabling technologies. The Board believes that the Company is currently compliant with all regulations and codes governing the manufacturing and commercial use of its technology in the various jurisdictions in which it is currently doing business.

Government regulations are, however, subject to change and in such an event, there can be no assurance that the Company may not be subject to additional unforeseen regulations that may impede the commercial use of its technology or restrict the manner in which the Company does business. In addition, any new laws or regulations relating to the TZI technology could have a material effect on the Company's business, financial condition and results of operations.

4.5 Commercialisation of Key Technologies

The Company's failure to achieve commercialisation of key technologies is likely to adversely affect the Company's business.

The Company's long-term revenue objectives are largely predicated on full implementation of its technology innovation program. To date, many of the Company's core technologies have yet to be transitioned from proof-of-concept to proof-of-commercial viability.

There is no assurance that the Company's technology concepts and patent applications will achieve commercial viability and the failure to achieve such commercial viability would have a material effect on the Company's business, financial condition and results of operations.

4.6 Market for the Company's technology

The Company intends to seek new markets for the TZI technology in Asia and Europe, whilst expanding on current markets. There can be no assurance that these markets will be established or expanded successfully and such failure may have a material adverse effect on the Company's expected revenues.

4.7 Risk of Product Liability

The Company's business exposes it to potential product liability risks as more of the TZI technology is commercialised. The Company intends to continue to seek adequate product liability insurance where prudent. However, there can be no assurance that adequate or necessary insurance coverage will be available at an acceptable cost or in sufficient amounts, or that a product liability claim would not adversely affect the Company.

4.8 Intellectual Property Protection

A program of patent and other safeguards has been implemented by the Company to protect TZI's intellectual property. It is not certain that pending patent applications will be granted within the scope of the claims sought or at all.

Whilst the Directors consider that all appropriate measures have been taken to protect TZI's intellectual property, it is possible that the protection implemented will be circumvented or challenged. Policing unauthorised use of the technology or infringements of the Company's intellectual property is difficult and expensive. It is also possible that the Company will be subject to a third party's claim of intellectual property infringement. Any such claim, with or without merit, could be time consuming to defend.

Further, the life of a patent is a limited one, generally twenty (20) years from the earliest filing date. Once a patent expires, it becomes part of the public domain and can be freely used by anyone, including competitors. To protect against this, TZI continually innovates new intellectual property to remain a leader in the market and to stay ahead of any possible competitors or new entrants.

4.9 Material Contracts

The Directors anticipate that the Company will derive significant benefits from its material contracts and consider that the Company has good working relationships with its contractual partners. However, a number of these contracts may be terminated by notice in writing from the other party and the revenues to be derived by the Company under the contracts are uncertain.

PDT's revenues are derived through PDT providing development services to its clients. The contractual relationship relating to the provision of these services allows PDT's clients to terminate the relevant contract or project on short notice under termination for convenience provisions. The early termination of those contracts or projects may have an adverse impact on PDT's financial performance. The quantum of this adverse impact will vary based on a number of factors, including the value to be derived from the particular contract or work order.

4.10 Competition

Direct competition in industry segments could have a material effect on the Company's business, financial condition and results of operations. The Board believes that the principal competitive factors are:

- ability to identify and respond to customer needs

- technical expertise
- quality of the services provided
- cost of the technology and related licences

In addition, the Company may face competitive pressures from existing market participants, who may have significantly greater financial, marketing, technical, sales and customer support as well as longer relationships with customers than the Company does.

The Company may also be unable to devote the necessary resources to the development, promotion and sale of the Company's technology as fast or as effectively or in the same or greater amounts as some of the Company's potential competitors.

Any competition may result in reduced operating margins, loss of market share, inability to materially increase the number of end-users and manufacturers to adopt and utilise the Company's technology, and diminish the value of the Company's technology and intellectual property.

In addition, the Company's current fixed overhead projections include paced allocations for professional services including the various activities relating to a global patenting strategy. Unforeseen competitive activities may require the Company to accelerate its intellectual property strategies, placing new burdens on the Company's management and fiscal resources.

The Company may not be able to compete successfully against current and future competitors, and the competitive pressures that the Company faces could have an effect on the Company's business, financial condition and results of operations.

4.11 Reliance on Key Personnel

The Company's businesses are reliant on a number of key personnel and the loss of the services of one or more of these individuals could adversely affect the Company. In addition, the Company's plans for expansion will require it to recruit and train new employees. Although the Company expects to be able to attract and retain skilled and experienced personnel, there can be no assurance that it will be able to do so. The Company intends to mitigate these risks by entering into service contracts with any new employees and will in due course establish employee share plans to encourage employees' loyalty to the Company.

In particular, it is possible that the contracts under which the services of Mark Bouris and Kenneth Ting are provided to the Group could be terminated at any time by the respective companies providing their services, without cause. As the period of notice required for termination of these contracts has not yet been quantified in written contracts, the period of notice would have to be considered reasonable in the circumstances which in some circumstances may allow those contracts to be terminated without cause on less than 30 days' notice to the Company. At present, the ongoing viability of the Company is very dependent upon the services of Messrs Bouris and Ting continuing to be provided to the Company. It is an event of default under the QVT Convertible Note Facility if there is a change in the majority of the Directors without the consent of the QVT Funds. Therefore if Messrs Bouris and Ting were to cease to be Directors without the consent of the QVT Funds then this would entitle the QVT Funds to demand immediate repayment of all amounts owing under the QVT Convertible Note Facility.

As at the date of this Prospectus, the amount of outstanding principal owed by the Company to the QVT Funds is \$13,714,000 in respect of outstanding Convertible Notes and US\$4,100,000 under the QVT Loan Facility. In those circumstances, under the Company's present financial position, the Company would become insolvent and would not be able to continue trading as a going concern.

4.12 Business Relationships

The Company has numerous business relationships that are essential to the successful and profitable ongoing routine of the Company's business. These relationships are via both formal and informal agreements. Should there be any material change in the nature of these relationships, or

should for any reason contracts not be renewed despite it being reasonable to expect them to be renewed, there could be a material adverse effect on the Company's ability to achieve expected growth.

4.13 Currency Risk

The majority of the Company's target market is domiciled in the USA and it is expected that the Company's revenue will be predominantly US dollar denominated. This exposure to foreign currency may adversely affect the Company's business, however, equally, a revaluation of the US dollar could be of substantial benefit to the Company's Shareholders. The Company intends to implement a currency hedging strategy going forward in order to mitigate its exposure to fluctuating currency exchange rates.

4.14 Refinancing loan facilities

Historically, the Company has successfully refinanced its borrowing facilities. However, there is a refinancing risk that replacement debt facilities will not be available or will not be available on terms as favourable to the Company as its previous borrowing facilities. If the Company is not able to refinance its corporate debt facilities when they fall due (including the QVT Convertible Note Facility and the QVT Loan Facility), it could have a materially adverse impact on the Company's financial position and its ability to continue trading as a going concern.

4.15 Additional Capital Requirements

The Company's continued ability to effectively implement its business plan over time may depend upon in part on an ability to raise additional funds. If adequate funds are not available on acceptable terms, the Company may not be able to complete acquisitions, take advantage of opportunities, develop new ideas or otherwise respond to competitive pressures. There is no assurance that additional funding over and above that secured by existing borrowing facilities will be available to the Company in the future or be secured on acceptable terms.

4.16 Litigation

If a judgement is awarded against the Company under any of the items of litigation described in section 6.2 this is likely to have a material adverse impact on the Company's financial position as it would be likely that an adverse costs order would be made against the Company.

A further risk faced by the Company is that even if it is successful in the litigation, it may not be able to recover all or even part of any damages and costs that may be awarded in favour of the Company. In particular, in relation to the litigation described in section 6.2, it is noted there is currently a sequestration order against one of the defendants (Mr Sigalla) made on 28 June 2010. Further, a winding up order was made against another of the defendants (ZMS Investments Pty Limited) in September 2010. Therefore, even if judgement is obtained against the bankrupt or liquidated party, it is likely that the amount of the judgement that will be able to be recovered will be less than the full amount of the judgement.

4.17 Asset Value Impairment

The Company has a significant amount of intangible assets recorded on its balance sheet. The Company annually tests the carrying value of these intangible assets for impairment. The estimates and assumptions about results of operations and cash flows made in connection with impairment testing could differ from future actual results of operations and cash flows. In addition, future events could cause the Company to conclude that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Company's financial position.

4.18 Underwriting

The Underwriting Agreement may be terminated by the Underwriter if any one or more termination events occurs (please refer to the summary of the terms of the Underwriting Agreement at section 5.1 for further detail). If any of the termination events occurs:

- (a) the Rights Issue will not be underwritten;

- (b) it is unlikely that all Entitlements will be taken up by Shareholders; and
- (c) it is likely that the Company will not have access to the full amount of capital sought to be raised by this Rights Issue.

If less than the full amount of capital being sought under this Rights Issue is raised, this could have a materially adverse impact on the Company's financial position and its ability to meet its capital requirements.

4.19 Speculative Nature of Investment

The above risk factors are not intended to provide an exhaustive list of all the risks faced by the Company or by the investors in the Company. The above factors, and others not specifically referred to above, may materially affect the future financial performance of the Company and the value of the New Shares offered under this Prospectus.

The New Shares issued pursuant to this Prospectus carry no guarantee with respect to payment of dividends, return of capital or market value. Potential investors should consult their professional advisers before deciding whether to take up or otherwise deal with their Entitlements.

5. SUMMARY OF MATERIAL CONTRACTS

5.1 Underwriting Agreement

The Company has entered into an Underwriting Agreement with Patersons Securities Limited as Underwriter.

The Underwriting Agreement requires that the Underwriter, subject to the terms of the Underwriting Agreement, underwrites subscriptions for 28,068,306 New Shares to be issued under this Prospectus at the Issue Price. That is, the Underwriter will underwrite the raising of \$9,823,907.10 by the Company under this Prospectus, subject to the terms of the Underwriting Agreement. Consequently, but subject to the Underwriter's right to terminate explained below, in the event that the Company does not receive valid Applications for 28,068,306 New Shares (including those received under the Shortfall Facility), the Underwriter will subscribe for that number of New Shares equal to 28,068,306 less the number of New Shares which have been validly applied for under this Prospectus (including under the Shortfall Facility).

The Company has agreed to pay to the Underwriter an underwriting fee of 5% of the amount to be underwritten, that is 5% of \$9,823,907.10. That is, the underwriting fee payable by the Company to the Underwriter is \$491,195.35. In addition, the Company agrees to pay to the Underwriter all costs and expenses of and incidental to the Offer and the Rights Issue.

Sub-Underwriting

The Underwriter may at any time appoint sub-underwriters to sub-underwrite subscriptions for the New Shares.

Right to Terminate

The Underwriter may terminate its obligations under the Underwriting Agreement at any time prior to the allotment of the New Shares offered under the Rights Issue (by notice in writing to the Company) if:

- (a) any of the termination events listed below at Part 1 occurs; or
- (b) any of the termination events listed below at Part 2 occurs and the Underwriter has, in good faith, reasonable grounds to believe and does believe that the occurrence of the termination event:
 - (i) has, or is likely to have, a material adverse effect on:
 - (A) the tax position of either the Company and its subsidiaries either individually or taken as a whole or on an Australian resident Shareholder;
 - (B) the outcome of the Offer or on the subsequent market for the New Shares (including, without limitation, matters likely to have a material adverse effect on a decision of an investor to invest in New Shares); or
 - (C) the assets, condition, trading or financial position, performance, profits and losses, results, prospects, business or operations of the Company and its subsidiaries either individually or taken as a whole; or
 - (ii) has given or could give rise to a liability to the Underwriter under the Corporations Act or otherwise; or
 - (iii) has caused or is likely to cause the Underwriter's obligations under the Underwriting Agreement to become materially more onerous than those which exist at the date of the Underwriting Agreement.

If the Underwriter terminates its obligations under the Underwriting Agreement, it is possible that all Entitlements may not be taken up and as such the Company will not have access to the full

amount of capital sought to be raised by this Rights Issue. Please refer to section 4.18 for further details regarding the risks associated with the underwriting.

Termination Events

Part 1:

- (a) Any of the All Ordinaries Index or the S&P/ASX Small Ordinaries Index as published by ASX is at any time after the date of the Underwriting Agreement 10.0% or more below its respective level as at the close of business on the Business Day prior to the date of this Prospectus.
- (b) The closing price of the Shares of the Company as quoted by ASX, is less than the Issue Price for any 2 consecutive Business Days.
- (c) The Prospectus or Offer is withdrawn by the Company.
- (d) Official Quotation has not been granted by 15 December 2010 (the “**Shortfall Notice Deadline Date**”) or, having been granted, is subsequently withdrawn, withheld or qualified.
- (e) Either:
 - (i) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in paragraph (f) in part 2 below, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - (ii) the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter.
- (f) It transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
 - (i) the effect of the Offer on the Company; and
 - (ii) the rights and liabilities attaching to the Rights Shares.
- (g) It transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of sections 711, 713 and 716 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive.
- (h) The Company is prevented from allotting the New Shares within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority.
- (i) Any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent.
- (j) An application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date has arrived, and that application has not been dismissed or withdrawn.
- (k) ASIC gives notice of its intention to hold a hearing under section 739 of the Corporations

Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act.

- (l) The Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel.
- (m) Any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter.
- (n) A director or senior manager of the Company or of any of its subsidiaries is charged with an indictable offence.

Part 2:

- (a) Default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking.
- (b) Any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect.
- (c) A contravention by the Company or any of its subsidiaries of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX.
- (d) An event occurs which gives rise to a Material Adverse Effect (as defined in the Underwriting Agreement) or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or any of its subsidiaries including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time.
- (e) It transpires that any of the due diligence results carried out by or on behalf of the Company or any part of the verification material of the Company created from verifying this Prospectus was false, misleading or deceptive or that there was an omission from them.
- (f) A "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor.
- (g) Without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer, the Rights Issue or the Prospectus.
- (h) Any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the Rights Issue or the affairs of the Company or any of its subsidiaries is or becomes misleading or deceptive or likely to mislead or deceive.
- (i) The Official Quotation of the New Shares by the ASX is qualified or conditional other than as set out in the definition of "Official Quotation" in the Listing Rules.
- (j) There is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in existing, monetary, taxation, exchange or fiscal policy.
- (k) A Prescribed Occurrence occurs, other than as disclosed in the Prospectus or other than as disclosed in the explanatory memorandum accompanying the notice of meeting convening the Company's annual general meeting to be held on 17 November 2010 or

other than as disclosed in writing to the Underwriter on or before the date of the Underwriting Agreement.

- (l) The Company suspends payment of its debts generally.
- (m) An Event of Insolvency occurs in respect of a Relevant Company.
- (n) A judgment in an amount exceeding \$250,000 is obtained against the Company or any subsidiary and is not set aside or satisfied within 7 days.
- (o) Litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against the Company or any subsidiary, other than any claims foreshadowed in the Prospectus.
- (p) There is a change in the composition of the board or a change in the senior management of the Company before the issue of the New Shares without the prior written consent of the Underwriter which consent is not to be unreasonably withheld.
- (q) There is a material change in the major or controlling shareholdings of the Company or any subsidiary or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to such company.
- (r) There is a delay in any specified date in the timetable for the Rights Issue which is greater than 7 Business Days.
- (s) A Force Majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs.
- (t) The Company or any subsidiary passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter.
- (u) The Company or any subsidiary alters its capital structure in any manner not contemplated by the Prospectus.
- (v) Any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or any subsidiary.
- (w) A suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.
- (x) There is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, the Peoples Republic of China, Israel, Kazakhstan, Namibia or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world.

Representations, warranties and undertakings

Under the Underwriting Agreement, the Company and the Underwriter give certain representations, warranties and undertakings.

Indemnity

Under the terms of the Underwriting Agreement, the Company agrees to indemnify (and keep indemnified):

- (a) the Underwriter and each of its officers, employees, agents and advisers (each an "**Indemnified Party**") from and against all prosecutions, losses (including loss of profit or losses or costs incurred in preparation for or involvement in or otherwise in connection with any prosecution, investigation, enquiry or hearing by the ASIC, ASX or any

Government Agency), penalties, actions, suits, claims, expenses, costs (including legal costs and disbursements on an indemnity basis), liabilities, charges, outgoings, payments, demands and proceedings (whether civil or criminal) (“**Losses**”) suffered, incurred, paid or liable to be paid directly or indirectly arising out of or in respect of:

- (i) the Offer;
 - (ii) non-compliance with or breach of any legal requirement or the Listing Rules in relation to the Prospectus or any documents in respect of the Offer which accompany the Prospectus;
 - (iii) any statement, misstatement, misrepresentation, non-disclosure, inaccuracy in or omission from the Prospectus, or any documents in respect of the Offer which accompany the Prospectus;
 - (iv) any advertising, publicity, announcements, statements and reports in relation to the Offer made with the agreement of the Company; or
 - (v) any breach or failure by the Company to observe any of the terms of the Underwriting Agreement or any breach of the representations and warranties given by the Company in the Underwriting Agreement; and
- (b) the Underwriter in respect of any payment made by the Underwriter to reimburse or provide for payment of any Losses suffered personally by an Indemnified Party in respect of the matters described in paragraph (a) above or resulting from or attributable to those matters.

The indemnity does not apply:

- (a) to any penalties or fines which the Underwriter must pay in respect of any contravention of the Corporations Act by the Underwriter or any Indemnified Party not resulting from or attributable to any of the matters described in paragraph (a) above;
- (b) to any written research or other report, advertisement, publicity or written announcement made by the Indemnified Party in relation to the Offer without the prior written approval of the Company;
- (c) to any other amount in respect of which the indemnities in paragraphs (a) or (b) above would be illegal, void or unenforceable at law;
- (d) in respect of any Losses which results from the wilful default, misconduct, fraud, negligence or breach of contract of the person claiming the indemnity; or
- (e) Losses suffered as a result of the Underwriter being required to perform its obligations under the Underwriting Agreement.

6. ADDITIONAL INFORMATION

6.1 Rights attaching to shares

The Company will apply to ASX for quotation of the New Shares.

The New Shares will have the same rights and liabilities as the Existing Shares. The following is a summary of the rights attaching to the Existing Shares (and the New Shares to be issued under the Rights Issue). It is not intended to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders, which can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. Applicants who wish to obtain a definitive assessment of the rights and liabilities that attach to Shares in any specific circumstance should seek their own professional advice.

Voting

At a general meeting of the Company, each shareholder present in person or by proxy or attorney has one vote on a show of hands and on a poll has one vote per Share they hold.

Where there are two or more joint holders of a Share, the holder whose name appears first in the Company's register of members is entitled to vote as holder of that Share to the exclusion of other joint holders.

Dividend rights

The Directors may in accordance with the Corporations Act 2001, declare a dividend. The dividend is payable as soon as it is declared unless the Directors specify a later time for payment. The Directors may authorise such interim dividends as appear to the Directors to be justified by the Company's profits.

(The Company has yet to declare and pay any dividends, and the Board is not able to indicate when and if dividends will be paid in the future, as payment of any dividend will depend on future profitability, financial position and cash requirements of the Company.)

Winding-up

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide the Company's property among the shareholders and may for that purpose set such a value as the liquidator considers fair and may determine how the division is to be carried out as between the shareholders according to their rights and interests in the Company.

Transfer of Shares

Subject to the Corporations Act 2001 and the Listing Rules, Shares are transferable:

- (a) by instrument in writing in any usual or common form or in any other form that the Directors approve; or
- (b) by a proper ASTC transfer.

Variation of rights

The rights attached to a class of shares in the Company may be varied or abrogated in any way with the consent in writing of three quarters of the holders of shares of that class or by a special resolution passed at a separate meeting of holders of the shares of that class. This does not apply if the terms of shares in a class state otherwise.

Beneficial ownership of Shares

Except as required by law, the Company must not recognise a person as holding a share upon any trust.

The Company, unless otherwise provided by the Constitution or by law, is not bound by or compelled in any way, to recognise any equitable, future or partial interest in any share or unit of a share, or any other rights in respect to the share, except an absolute right of ownership in the registered holder.

Meetings of the Company's members

In accordance with the Corporations Act 2001, the Company must hold an annual general meeting at least once each year.

Any Director may, whenever he or she thinks fit, call a meeting of the Company's members. The Directors must convene a meeting of the Company's members on request of members in accordance with section 249D of the Corporations Act 2001.

No business will be transacted at any meeting of the Company's members unless a quorum is present. Three members constitute a quorum.

Appointment and removal of Directors

The number of Directors must not be less than 3 and not more than 10. The Company may, by resolution passed at a general meeting increase or reduce the number of Directors (provided the minimum number is 3) and determine the rotation by which the increased or reduced number are to retire and appoint new Directors.

The Directors have the power to appoint a new Director, either to fill any casual vacancy or as an additional Director. Any Director so appointed, may hold office only until the next annual general meeting of the Company, and will then be eligible for election, but will not be taken into account in determining the number of Directors who are to retire by rotation at such meetings. Directors are not required to hold any Shares in the Company.

Rotation of Directors

At every annual general meeting, one-third of the Directors (or the nearest number to one-third, not exceeding 3), and any Director who would at the next annual general meeting have been in office for more than 3 years, must retire. This rule does not apply to a Managing Director.

Board Meetings

The board of Directors may at any time and a Secretary must on the requisition of a Director, convene a meeting of the Directors.

A quorum of 2 Directors is required at meetings, unless otherwise determined by the Directors. Decisions at Directors' meetings will be decided by a majority of votes of Directors present and entitled to vote. In the case of an equality of votes the chairperson will have a casting vote.

6.2 Litigation

The Company is the plaintiff party to proceedings in the Supreme Court of New South Wales, case number 4286 of 2009. The defendants are Andrew John Sigalla, a former director of the Company, and two companies associated with Mr Sigalla, ZMS Investments Pty Limited and BZI Pty Limited. The company is seeking to recover \$13,230,536 loans to and receivables from the three defendants, plus interest and costs. The defendants have denied liability. The proceedings are scheduled for further directions on 11 February 2011 at which it is expected a hearing date will be set for the trial.

The Company is also contemplating commencing proceedings against two other individuals for the recovery of other material sums of money that the Company believes are owing to it.

PDT has commenced debt recovery action against Bombard Technologies Inc ("**Bombard**"), a client of PDT. The claim is for unpaid work in the sum of US\$25,550. The parties are currently dealing with a motion to dismiss. Bombard has filed a counterclaim for damages of US\$1,300,000 claiming that PDT had failed to meet specifications required by Bombard for the development of recreational watercraft. The matter has been referred to non-binding mediation to be held on 16 December 2010.

Apart from the above proceedings, there is no material litigation, arbitration or proceedings pending against or involving the Company or any of its subsidiaries as at the date of this Prospectus, other than proceedings in the Supreme Court of New South Wales, case number 4682 of 2009 between Andrew Sigalla as Plaintiff and TZ Limited as Defendant. However, in respect of such proceedings, Mr Sigalla's Trustee in Bankruptcy has failed to make an election pursuant to S. 60(2) of the *Bankruptcy Act* within the prescribed time and will now need the leave

of the Court to exercise any rights to revisit any deemed election to proceed, otherwise these proceedings are deemed to have been abandoned.

6.3 Expenses of the Rights Issue

The estimated cash expenses of the Rights Issue are approximately \$588,000 (exclusive of GST) comprising:

- legal costs of \$50,000;
- underwriting fees of \$491,195.35
- ASIC fees of \$2,068;
- ASX fees of \$17,271.08
- printing, share registry, despatch, administration and other costs of \$27,493.28.

6.4 Interests of Directors and Promoters

Except as set out in this Prospectus, no:

- (a) Director or proposed director; or
- (b) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (c) promoter of the Company; or
- (d) underwriter to the Rights Issue or financial services licensee named in this Prospectus as a financial services licensee involved in the Rights Issue,

has, or had within the past two years before lodgement of this Prospectus, any interest in:

- (e) the formation or promotion of the Company; or
- (f) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- (g) the Rights Issue,

and no amounts have been paid or agreed to be paid, and no benefits have been given or agreed to be given, at any time in the past two years, to:

- (h) a Director or proposed director, to induce him to become or to qualify him as a director of the Company; or
- (i) any or the persons referred to in (a) – (d) above, for services rendered by him in connection with the formation or promotion of the Company or the Rights Issue.

The direct and indirect interests of the Directors in the securities of the Company at the date of this Prospectus are as follows:

Director	Shares	Options	Share Rights
Mark Bouris	821,300	3,000,000	800,000
Kenneth Ting	690,975	2,250,000	600,000
Dickory Rudduck	992,498	-	-

Entitlement to participate in Rights Issue

Directors (and their Associates) who are Eligible Shareholders are entitled to participate in the Rights Issue and, as a consequence, may acquire New Shares in the Company in addition to those interests in Shares, Options and Share Rights set out above.

Remuneration

Mr Bouris receives no cash remuneration personally from the Company. However, a company associated with Mr Bouris is entitled to receive an annual consulting fee of US\$350,000 for providing the services of Mr Bouris as executive chairman of the Company and, in addition, is entitled to be reimbursed for expenses properly incurred in the course of carrying out services on behalf of the Company. The total amount paid directly or indirectly to Mr Bouris over the last two years is \$582,558 (excluding GST). As part of the Company's Director and Executive Plan, in 2010 Mr Bouris also received 1,600,000 Rights to acquire 1,600,000 Shares without payment and 3,000,000 Options, with the first tranche of 1,000,000 Options exercisable at \$1.00 each expiring 30 June 2016, the second tranche of 1,000,000 Options exercisable at \$2.00 each expiring 30 June 2017 and the third tranche of 1,000,000 Options exercisable at \$3.00 each expiring 30 June 2018, as an incentive for future services and as a reward for past services. These issues were approved at the annual general meeting of Shareholders held on 26 February 2010.

The Company's premises at Level 11, 1 Chifley Square, Sydney, New South Wales are leased from State Capital Property Pty Limited at market rates of rent. State Capital Property Pty Limited is controlled by Mr Bouris. \$193,621 in rent and outgoings has been paid by the Company to State Capital Property Pty Limited (exclusive of GST) under the lease to the date of this Prospectus.

The Company engages Yellow Brick Road Accounting & Wealth Management Pty Limited ("**YBR Accounting**") to provide accounting services to the Company at YBR Accounting's time based charge out rates. YBR Accounting is associated with Mr Bouris. Since 1 July 2009 YBR Accounting has been paid \$548,206 (exclusive of GST) for these accounting services it has provided to the date of this Prospectus. Further amounts may be paid to YBR Accounting by the Company in accordance with YBR Accounting's time based charge out rates.

The Company engages YBR General Insurance Brokers Pty Limited ("**YBR Insurance Brokers**") to provide directors and officers insurance. The premium paid for the financial year ended 30 June 2010 to YBR Insurance Brokers was \$57,532 (exclusive of GST), which included a fee payable to YBR Insurance Brokers of \$7,500 (exclusive of GST). YBR Insurance Brokers is associated with Mr Bouris. A further amount of \$1,062 has been paid for the financial year ended 30 June 2011.

The Company engages The Surf Travel Company Holdings Pty Ltd as a travel agent for the travel and accommodation requirements of some of the Directors and executives of the Company. The sum of \$184,859 (exclusive of GST) has been paid by the Company to The Surf Travel Company Holdings Pty Ltd to the date of this Prospectus. The Surf Travel Company Holdings Pty Ltd is associated with Mr Bouris. Additional commissions are paid directly to The Surf Travel Company Holdings Pty Ltd by hotels and airlines providing the services. Further amounts will be paid to The Surf Travel Company Holdings Pty Limited if the Company continues to use it as a travel agent, at market rates.

Mr Ting receives no cash remuneration personally from the Company. However, a company associated with Mr Ting is entitled to receive an annual consulting fee of US\$275,000 for providing the services of Mr Ting as an executive director of the Company and, in addition, is entitled to be reimbursed for expenses properly incurred in the course of carrying out services on behalf of the Company. The total amount paid directly or indirectly to Mr Ting over the last two years is \$489,194 (exclusive of GST). As part of the Company's Director and Executive Plan, in 2010 Mr Ting also received 1,200,000 Rights to acquire 1,200,000 Shares without payment and 2,250,000 Options, with the first tranche of 750,000 Options exercisable at \$1.00 each expiring 30 June 2016, the second tranche of 750,000 Options exercisable at \$2.00 each expiring 30 June 2017 and the third tranche of 750,000 Options exercisable at \$3.00 each expiring 30 June 2018, as an incentive for future services and as a reward for past services. These issues were approved at the annual general meeting of Shareholders held on 26 February 2010.

Mr Rudduck receives no cash remuneration personally from the Company. However, a company associated with Mr Rudduck is entitled to receive an annual consulting fee of US\$230,000 for providing the services of Mr Rudduck to TZI and, in addition, is entitled to be reimbursed for

expenses properly incurred in the course of carrying out services on behalf of the Company. The total amount paid directly or indirectly to Mr Rudduck since being appointed a Director is \$84,225 (exclusive of GST).

Directors' and Executive Officers' Indemnity

Under clause 26 of the Company's Constitution, the Directors, secretary, executive officers and employees of the Company are indemnified by the Company in the terms summarised below.

In accordance with the Constitution and to the extent permitted by law, the Company indemnifies each person who is a Director, secretary or executive officer of the Company and employees of the Company against liability (including liability for costs and expenses) for an act or omission in the capacity of director, secretary, executive officer or employee of the Company.

6.5 Interest of advisers

Patersons Securities Limited has acted as Underwriter to the Rights Issue and is entitled to receive \$491,195.35 for agreeing to underwrite the Rights Issue.

Landerer & Company has acted as Australian legal advisers to the Company in connection with the Offer and assisting in the preparation of this Prospectus and is entitled to receive approximately \$50,000 (exclusive of GST) for these services. Landerer & Company has also provided other legal services in relation to ongoing legal work and has been entitled to receive costs of approximately \$1,712,678.51 (exclusive of GST) for these services and Landerer & Company was also entitled to reimbursement of disbursements of \$366,311.65 (exclusive of GST), the majority of which was the reimbursement of barristers' fees and expert witness expenses incurred on behalf of the Company. Further amounts may be paid to Landerer & Company in accordance with its time-based charge out rates.

BDO Audit (NSW-VIC) Pty Ltd has acted as the auditor of the Company in connection with its financial statements for the financial years ended 30 June 2009 and 30 June 2010. BDO Audit (NSW-VIC) Pty Ltd and related BDO network firms received approximately \$342,830.16 (inclusive of GST) for these services. Further amounts may be paid to BDO Audit (NSW-VIC) Pty Ltd by the Company in accordance with its time based charge-out rates.

6.6 Consents

Each of the following persons has given their written consent to be named in this Prospectus in the form and context in which they are named and, where appropriate, to the inclusion in this Prospectus of the statement(s) by that person in the form and context in which they appear in this Prospectus, and has not withdrawn such consent before lodgement of this Prospectus with ASIC:

- (a) Patersons Securities Limited has consented to being named as Underwriter to the Rights Issue;
- (b) Computershare Investor Services Pty Limited has consented to being named as the Share Registry for the Company;
- (c) Patersons Securities Limited has consented to being named as the Nominee;
- (d) Landerer & Company has consented to being named as lawyers to the Rights Issue; and
- (e) BDO Audit (NSW-VIC) Pty Ltd has consented to being named as the auditor of the Company in this Prospectus.

Landerer & Company and BDO Audit (NSW-VIC) Pty Ltd:

- (a) did not authorise or cause the issue of this Prospectus;
- (b) do not make or purport to make any statement in this Prospectus nor is any statement in this Prospectus based on any statement by any of those parties, other than as specified, and

- (c) to the maximum extent permitted by law, expressly disclaims any responsibility or liability for any part of this Prospectus other than the references to its name and the statement expressly attributed to it in this Prospectus (as set out above) and included in this Prospectus with the consent of that party.

Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as the Share Registry for the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

Patersons Securities Limited was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Patersons Securities Limited makes no express or implied representation or warranty in relation to the Company, this Prospectus or the Offer and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Patersons Securities Limited. To the maximum extent permitted by law, Patersons Securities Limited expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

6.7 Regular reporting and availability of documents

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and Listing Rules. Copies of the documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

These reporting and disclosure obligations require the Company to notify ASX of information about specified events and matters as they arise for the purposes of ASX making that information available to the market. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information of which it becomes aware concerning the Company that a reasonable person would expect to have a material effect on the price or value of securities in the Company. All announcements made by the Company are available on the Company's website www.tz.net or on the ASX's website www.asx.com.au.

The Company is also required to prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a Directors' statement and report and an auditor's report. These reports are released to ASX and published on the Company and ASX websites.

During the period that the Rights Issue remains open, the Company will provide on request from any person, a copy of the following documents (without charge):

- (a) The Company's audited annual financial report for the year ended 30 June 2010; and
- (b) any continuous disclosure notices (including those listed below) given by the Company to ASX after the lodgement of the annual financial report for the year ended 30 June 2010 and before the date of this Prospectus.

The following documents were lodged with ASX after the date of lodgement of the Company's financial report for the year ended 30 June 2010 with ASIC before the lodgement of a copy of this Prospectus with ASIC:

Document name	Date released to ASX
Appendix 3B	17 November 2010
Appendix 3B	17 November 2010
Results of Annual General Meeting TZ Limited	17 November 2010
Fully Underwritten Renounceable Rights Issue	16 November 2010
Fully Underwritten Renounceable Rights Issue	16 November 2010
Updated Appendix 3B	15 November 2010
PAD – Launch into Australia and New Zealand Markets	12 November 2010
Renounceable Rights Issue – Appendix 3B	10 November 2010
Placement and Renounceable Rights Issue to Shareholders	10 November 2010
Trading Halt	8 November 2010
Invitation to Shareholder Presentation	3 November 2010
Launch into Gaming Industry	3 November 2010
First Quarter Results and Shareholder Update	29 October 2010
Appendix 4C	29 October 2010
Litigation Update	25 October 2010
Change in substantial holding	25 October 2010
2010 Annual Report	20 October 2010
Notice of Annual General Meeting – Proxy Form	15 October 2010
2010 Annual Report	15 October 2010
Notice of Annual General Meeting	15 October 2010
Appendix 3Y	15 October 2010
TZ Limited – Presentation to Analysts	11 October 2010
Appendix 3B	11 October 2010

6.8 ASIC Declaration

On 5 November 2010 by ASIC Instrument [10-1096], ASIC declared that the definition of “continuously quoted securities” in section 9 of the Corporations Act was modified to exclude the previous ASIC order made under section 340 (ASIC Instrument [09-00725]) in respect of the lodgement of the Company’s financial statements for the financial year ended 30 June 2009. The effect of this resulted in the Company’s Shares qualifying as “continuously quoted securities” for the purposes of section 713 of the Corporations Act notwithstanding that the Company was covered by an ASIC order under section 340 of the Corporations Act up to 30 November 2009.

7. GLOSSARY

Acceptance Moneys	The moneys payable in connection with an Application (being the Issue Price multiplied by the number of New Shares represented by the aggregate of the Entitlement taken up under the Application and the number of Additional Shares (if any) applied for on the Application)
Additional Shares	New Shares for which an Applicant applies on an Entitlement and Acceptance Form in addition to the Entitlement of that Applicant
Amendment and Issue Date	Means the deed between the Company and the QVT Funds dated 23 April 2010
Applicant	An Eligible Shareholder who submits an Entitlement and Acceptance Form
Application	An application to subscribe for a specified number of New Shares under this Prospectus (made in an Entitlement and Acceptance Form included in, or accompanying, a copy of this Prospectus)
ASIC	Australian Securities and Investments Commission
Associate	Has the same meaning given to it by Division 2 of Part 1.2 of the Corporations Act
ASTC	ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532
ASX	ASX Limited ACN 008 624 691
Board	The board of Directors of the Company
Business Day	Has the same meaning as in the Listing Rules
Chairman	Chairman of the Board
Closing Date	13 December 2010, or such other date as may be determined by the Directors in accordance with the Listing Rules
Company	TZ Limited ACN 073 979 272
Completion	Means when all of the Offer Shares have been allotted in accordance with the Offer or under the Underwriting Agreement
Constitution	The Company's constitution
Convertible Note	Means a convertible note issued by the Company to the QVT Funds either under and in accordance with the QVT Convertible Note Facility or under and in accordance with the Amendment and Issue Deed
Corporations Act	<i>Corporations Act 2001</i> (Cth) (as amended)
Director	A director of the Company
Eligible Shareholder	A Shareholder who holds Shares at 7.00 pm on the Record Date who is not an Ineligible Shareholder
Entitlement	A renounceable right of an Eligible Shareholder to subscribe for one New Share for every three Existing Shares held at 7.00 pm on the Record Date

Entitlement and Acceptance Form	An entitlement and acceptance form accompanying this Prospectus
Event of Insolvency	<p>Means:</p> <ul style="list-style-type: none"> (a) a receiver, manager, receiver and manager, trustee, administrator, controller or similar officer is appointed in respect of a person or any asset of a person; (b) a liquidator or provisional liquidator is appointed in respect of a corporation; (c) any application (not being an application withdrawn or dismissed within 7 days) is made to a court for an order, or an order is made, or a meeting is convened, or a resolution is passed, for the purpose of: <ul style="list-style-type: none"> (i) appointing a person referred to in paragraphs (a) or (b); (ii) winding up a corporation; or (iii) proposing or implementing a scheme of arrangement; (d) any event or conduct occurs which would enable a court to grant a petition, or an order is made, for the bankruptcy of an individual or his estate under any Insolvency Provision; (e) a moratorium of any debts of a person, or an official assignment, or a composition, or an arrangement (formal or informal) with a person's creditors, or any similar proceeding or arrangement by which the assets of a person are subjected conditionally or unconditionally to the control of that person's creditors or a trustee, is ordered, declared, or agreed to, or is applied for and the application is not withdrawn or dismissed within 7 days; (f) a person becomes, or admits in writing that it is, is declared to be, or is deemed under any applicable Act to be, insolvent or unable to pay its debts; or (g) any writ of execution, garnishee order, mareva injunction or similar order, attachment, distress or other process is made, levied or issued against or in relation to any asset of a person
Existing Shares	Shares on issue as at 7.00 pm the Record Date
Force Majeure	Means any act of God, war, revolution, or any other unlawful act against public order or authority, an industrial dispute, a governmental restraint, or any other event which is not within the control of the parties
Government Agency	Means any government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity whether foreign, federal, state, territorial or local
Group	The Company and each Related Body Corporate of the Company
Ineligible Shareholder	A Shareholder with an address in the Company register of Shareholders outside Australia and New Zealand, unless the Company is satisfied that it is not precluded from lawfully issuing New Shares to that Shareholder either unconditionally or after compliance with conditions which the Board in its sole discretion

	regards as acceptable and not unduly onerous
Insolvency Provision	Means any Act relating to insolvency, sequestration, liquidation or bankruptcy (including any Act relating to the avoidance of conveyances in fraud of creditors or of preferences, and any Act under which a liquidator or trustee in bankruptcy may set aside or avoid transactions), and any provision of any agreement, arrangement or scheme, formal or informal, relating to the administration of any of the assets of any person
Issue Date	The date New Shares are issued by the Company
Issue Price	35.0 cents per New Share
Listing Rules or ASX Listing Rules	The official listing rules of ASX from time to time
New Share	A Share offered and issued under this Prospectus, the terms and conditions of which are set out in this Prospectus
Nominee	Patersons Securities Limited ACN 008 896 311
Offer	Means a renounceable rights issue by the Company to Eligible Shareholders to subscribe for Offer Shares in accordance with their Entitlement under the Prospectus to raise a total amount of approximately \$9.82 million.
Offer Shares	Means approximately 28,068,306 New Shares proposed to be issued by the Company under the Offer at 35.0 cents per New Share
Options	Options to subscribe for Shares in the Company
PDT	Means Product Development Technology, Inc, a subsidiary of the Company
Placement	Means the proposed issue of 8,091,446 Shares at 35 cents per Share announced to the ASX on 10 November 2010
Placement Shares	Means the 8,091,446 Shares to be issued under the Placement
Prescribed Occurrence	Means: <ul style="list-style-type: none"> (a) the Company or any subsidiary converting all or any of its shares into a larger or smaller number of shares; (b) the Company or any subsidiary resolving to reduce its share capital in any way; (c) the Company or any subsidiary: <ul style="list-style-type: none"> (i) entering into a buy-back agreement; or (ii) resolving to approve the terms of a buy-back agreement under section 257C or 257D of the Corporations Act; (d) the Company or any subsidiary making an issue of, or granting an option to subscribe for, any of its shares, or agreeing to make such an issue or grant such an option, other than an issue or agreement to issue in accordance with the Offer or the terms of the Underwriting Agreement; (e) the Company or any subsidiary issuing, or agreeing to issue, convertible notes;

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- (f) the Company or any subsidiary disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
 - (g) the Company or any subsidiary charging, agreeing to charge, the whole, or a substantial part, of its business or property;
 - (h) the Company or any subsidiary resolving that it be wound up;
 - (i) the appointment of a liquidator or provisional liquidator to the Company or any subsidiary;
 - (j) the making of an order by a court for the winding up of the Company or any subsidiary;
 - (k) an administrator of the Company or any subsidiary, being appointed under section 436A, 436B or 436C of the Corporations Act;
 - (l) the Company or any subsidiary executing a deed of company arrangement; or
 - (m) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of the Company or any subsidiary
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Privacy Act	<i>Privacy Act 1998 (Cth) (as amended)</i>
Prospectus	This prospectus
Public Information	Means public and media statements made by or on behalf of the Company in relation to the affairs of the Company or the Offer
QVT Convertible Note Facility	Means the Convertible Note and Option Subscription Deed dated 24 December 2007 between the Company and the QVT Funds, as amended, by which 24,000 Convertible Notes and 3,000,000 Options were issued by the Company to the QVT Funds on 19 February 2008 pursuant to the Shareholder resolutions passed and set out in the 2008 Notice of Meeting.
QVT Funds	Means QVT Fund LP and Quintessence Fund L.P. both c/- QVT Financial LP, 1177 Avenue of the Americas, 9 th Floor, New York, NY 10036, United States of America
QVT Loan Facility	Means the loan agreement dated 13 July 2010 between the QVT Funds as lender, TZI as borrower and the Company as guarantor
Record Date	7.00 pm (Sydney time) on 23 November 2010
Related Body Corporate	Has the meaning given by section 50 of the Corporations Act
Resolutions	Means the resolution set out in the 2010 AGM Notice of Meeting and each separate Resolution shall be referred to by the number of the Resolution appearing before the text of the Resolution as set out in the 2010 AGM Notice of Meeting
Rights Issue	The renounceable pro rata rights issue conducted pursuant to this Prospectus under which approximately 28,068,306 New Shares will be offered to Eligible Shareholders on the basis of one New Share for every three Existing Shares held by Shareholders at an issue price of 35.0 cents per New Share
Series II Convertible Note	Means the convertible note subscription deed dated 15 July 2009 between the Company, the QVT Funds and Sydcomp as amended

Deed	from time to time
Series II Convertible Notes	Means the secured convertible notes issued by the Company under and in accordance with the Series II Convertible Note Deed
Share	A fully paid ordinary share in the capital of the Company
Share Registry	Computershare Investor Services Pty Limited ABN 48 078 279 277
Share Right	Means a right to acquire one Share issued to Directors as approved by Shareholders at the annual general meeting of the Company held on 26 February 2010
Shareholder	A holder of Existing Shares
Shortfall	Those New Shares (not including any Additional Shares applied for under the Shortfall Facility) for which valid Applications have not been received by the Closing Date under the Rights Issue
Shortfall Facility	The facility whereby Eligible Shareholders may apply for additional New Shares that make up the Shortfall over and above their Entitlement at the same price of 35.0 cents per New Share, the details of which are contained in section 2.3
Subsidiary	Has the meaning given by Division 6 of Part 1.2 of the Corporations Act
Sydcomp	Means Sydcomp Pty Limited ACN 139 601 282
TZ Inc or TZI	Means Telezygology, Inc, a subsidiary of the Company
TZL	The Company, or a Subsidiary of the Company, as the context requires
Underwriter	Patersons Securities Limited ACN 008 896 311
Underwriting Agreement	The underwriting agreement between the Company and the Underwriter, a summary of which is contained in section 5.1
US\$	Means dollars of the United States of America
2008 Notice of Meeting	Means the notice of general meeting and explanatory memorandum sent by the Company to its Shareholders dated 3 January 2008 convening the Shareholder meeting that was held on 4 February 2008
2010 AGM	Means the annual general meeting of Shareholders of the Company held on 17 November 2010
2010 AGM Notice of Meeting	Means the notice of annual general meeting and explanatory memorandum sent by the Company to its Shareholders dated 15 October 2010 convening the 2010 AGM

CONSENT TO LODGEMENT

The Directors state that they have made all reasonable enquiries and have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that, in respect of any other statements made in this Prospectus by persons other than the Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by section 716 of the Corporations Act to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before the lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of New Shares pursuant to this Prospectus.

Each Director has consented to the lodgement of this Prospectus with ASIC as required by section 720 of the Corporations Act and has not withdrawn their consent prior to lodgement.

Signature

This Prospectus is signed for TZ Limited by:



Mark Bouris
Director

Dated: 18 November 2010

CORPORATE DIRECTORY

Directors

Mark Bouris Chairman and Executive Director
Kenneth Ting Executive Director
Dickory Rudduck Executive Director

Company Secretary

Kenneth Ting

Registered Office and Contact Details

Level 11
1 Chifley Square
SYDNEY NSW 2000

Website: www.tz.net

Telephone: (02) 9222 8890

Facsimile: (02) 8208 9937

Underwriter

Patersons Securities Limited

Solicitor

Landerer & Company
Level 31
133 Castlereagh Street
SYDNEY NSW 2000

Share Registry

Computershare Investor Services Pty Limited
GPO Box 2975
MELBOURNE VIC 3001

Telephone:
(within Australia) 1300 608 512
(outside Australia) +61 3 9938 4355

Facsimile: + 61 3 9473 2500

Website: www.computershare.com

Auditors

BDO Audit (NSW-VIC) Pty Ltd
Level 19
2 Market Street
SYDNEY NSW 2000

Telephone: +61 2 9286 5555

Facsimile: +61 2 9286 5599

ASX Code

TZL