TZ Limited
ABN 26 073 979 272

28 July 2016

Lodged by ASX Online

The Manager
Company Announcement Office
ASX Limited
Level 4, 20 Bridge Street
Sydney, NSW 2000

Dear Sir/Madam

SHAREHOLDER UPDATE AND APPENDIX 4C – JUNE QUARTER 2016

Please find attached the shareholder update and ASX Appendix 4C (unaudited) – Quarterly Report for entities admitted on the basis of commitments for TZ Limited for the quarter ended 30 June 2016.

Yours faithfully

TZ LIMITED

Kenneth Ting
Director

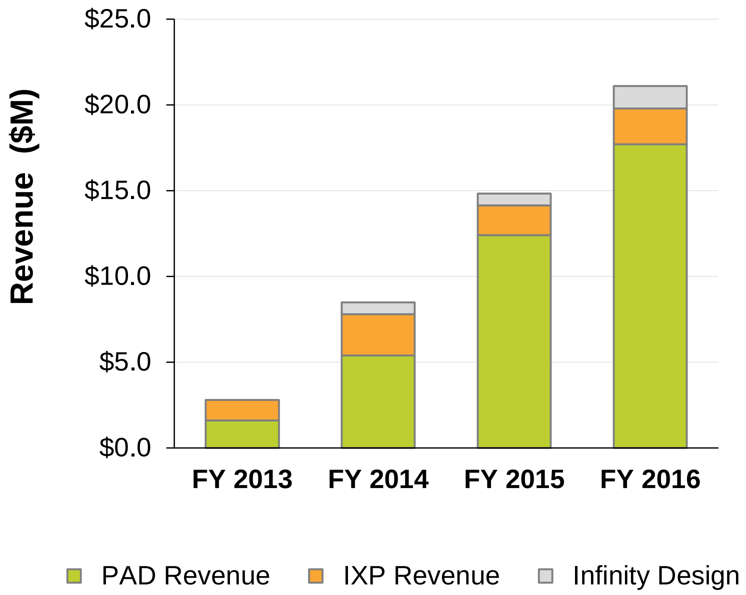
TZ LIMITED – SHAREHOLDER UPDATE

June Quarter 2016

- **Strong quarterly sales of A$7.7M to bring the total year-end unaudited revenue to over A$21M.**
- **Second consecutive quarter of positive cash flow from operations of A$0.5M.**
- **Purchase orders in hand of around A$10M which was not able to be deployed prior to the end of the fiscal year.**
- **Secure on-going supply contracts to the Postal and Logistics sector including Singapore Post in Singapore, Couriers Please in Australia, Pos Malaysia in Malaysia, Poste Italiane in Italy and a large Transport and Logistics company in the US.**
- **Large pipeline of business opportunities developing with strategic partner, Ricoh in the US and potential expansion of this relationship to Europe and Asia.**

TZ closed the 2016 fiscal year strongly with a positive quarter and unaudited sales of A$7.7M, bringing the year-end total to over A$21M. This represents the second consecutive quarter of positive cash flows from operations for the Company of around A$0.5M.

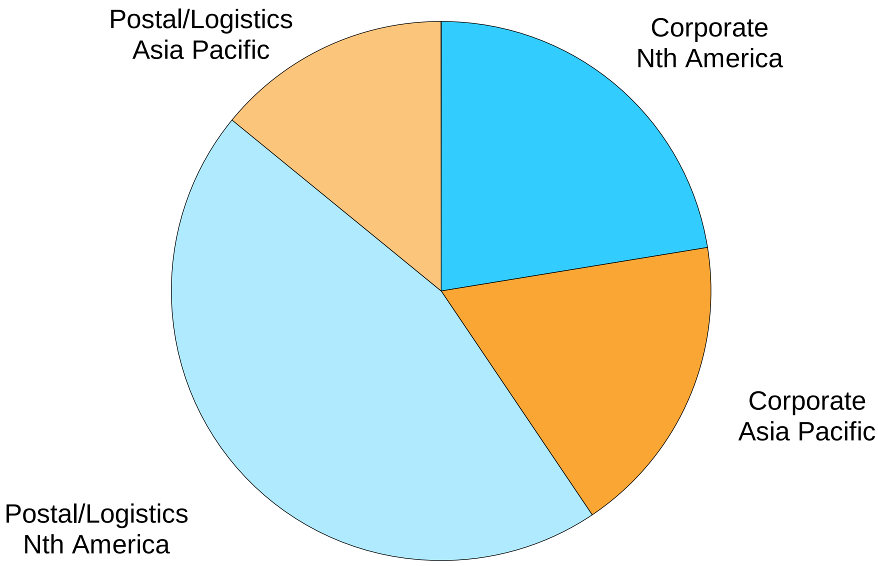
Although quarterly sales achieved a new period high for the Company, revenue was impacted by deployment delays in the current program in the US, a slowdown in POPStation deployments in Singapore and a delay in commencement of the Couriers Please national deployment. This does leave the Company with a very large number of secured purchase orders and product pending shipments in excess of A$10M which will provide a great start to the 2017 fiscal year.



Overall year-to-date (YTD) revenue is up 39% on last year fuelled heavily by very large sales to the US Postal and Logistics sector in the last quarter. Given the substantial size of this contract and the nature of the competitive tendering process, product margins are lower on this project than the Company's norm. As a result, the concentration of sales in this last quarter has impacted the Company's gross margin averaging it down to 30% for the full year. Next year with the broader mix of sales across Corporate, Higher Education and Postal sectors, the Company is expecting the average margin to return to that of previous levels.

Packaged Asset Delivery (PAD):

- The PAD business delivered an unaudited revenue of around $17.7M for the full year with over 60% of sales to the Postal and Logistics sector. Extension of supply contracts with Singapore Post, Pos Malaysia, Poste Italiane, the roll-out of Postal Lockers in Australia with Couriers Please and the large contract with the US Transport and Logistic company not only dominated the year's sales but underpins about A$7.5M of business that will be deployed over the first two quarters of FY2017.



- The US business has been focused on the supply and installation of Lockers in support of our large contract with a US Transport and Logistics provider. Manufacturing got underway in March once contracts were finalized and rollout of Lockers commenced in earnest in June. 300 Locker Banks are planned to be installed across the US by the end of the calendar year. So far, Lockers have been deployed in Illinois, New York, Pennsylvania, Virginia and Washington State. Plans for new sites are underway and locations are being secured in other states including California, Florida, Georgia, Massachusetts, Missouri, New Hampshire, New Jersey and Texas. This is a major undertaking by the Company not only in terms of the scale of deployment and service support required but the significant manufacturing involved. The Company has leveraged its relationships with its Asian manufacturing and sourcing partners and with Ricoh Services to support delivery of the program. Around 50 Locker Banks have already been installed and commissioned as at end of June 2016.

- Sales to the US Corporate sector remained steady but did not deliver the same growth experienced in previous years. The demand and opportunities are very strong however as many of the large deployments that were scheduled for May and June delivery have slipped into FY2017 as a result of delays in building programs. A backlog of A$2.6M of purchases are scheduled for shipment in the first quarter of FY2017.

- Much effort has gone into the development of the strategic alliance relationship with Ricoh with collaborative investment in time and resources to deliver extensive sales and technical product training programs for their national sales and business analyst teams. This effort is starting to show results with a growing pipeline of qualified corporate opportunities and new leads being generated month on month since the official launch in April 2016. Given the usual sales cycle, we should see opportunities start to close in the second quarter of the new fiscal year. Overall, the feeling is extremely positive and we are anticipating a very strong year of sales.

- The strong relationship foundations in the US with Ricoh's senior executive US team has opened doors to global cooperative relationship discussions which are currently underway in Europe and in Asia Pacific. Strategically aligned, Ricoh's access to TZ's products and technology and TZ's access to Ricoh's substantial sales and customer base, provide a fertile partnership for new growth opportunities.

- Ricoh's "new world of work" program that leverages the growing trend in workplace reform in the US market, is also driving demand for TZ's Day Locker solution. Anticipated sales to early adopters in the first quarter of FY 2017 should provide a base of reference and help to convert the ground swell of current interest into tangible opportunities.

- In the residential sector, the US business has been successful in finalizing an exclusive Locker supply relationship with the Prometheus Real Estate Group for the next 12 months. Prometheus is the largest, privately held owner of multi-family properties in the San Francisco Bay Area with over 12,000 units. Their properties span the Bay Area, Seattle and Portland metropolitan areas, and represent the highest quality in design, product and property management. Prometheus will be the first customer to adopt the Company's newly developed residential software offering and will serve as a great reference customer for other property developers and managers.

- The Australian business performed steadily supported by on-going Day Locker sales to its solid base of customers such as Westpac and KPMG. On-going deployment of Day Lockers to new sites with these established customers will underpin sales in FY2017. With our Day Locker solutions featuring strongly with market leaders in the agile workplace movement, we are well placed to leverage new opportunities with corporations who are also considering their workplace practices.

- Work with corporate mail room providers is continuing to show positive traction as these providers are now actively promoting the TZ solutions to their customers. Although we dominate the Accountable Mail sector in the US, this represents a new sector for the Australian business and an area of significant opportunity.

- On the back of the Day Locker sale to Singapore Post, our Asian business has been able to secure the GIC (Government of Singapore Investment Corporation) as a new Day Locker customer in Singapore. Phase 1 of the deployment was completed in July with Phase 2 scheduled for completion in August or September. This represents another great reference customer for our Asian business and is a positive indicator for the potential of our products in the Asian market.

Infrastructure Protection (IXP):

- The IXP business continues to maintain its steady growth of 20% to 30% year-on-year but remains dependent on infrastructure starts and project timings. Growth is supported by the established base of customers and our OEM technology partners, who continue to standardise their sites with TZ's IXP offerings. Product specification remains strong in the US, Australia and Asia supporting a solid pipeline of new sales as these data centre projects come to fruition.

- The IXP business performance in the Americas was steady and in line with the budgeted run-rate. We did anticipate one major project in the South American region to commence in the last quarter of FY2016 but this was delayed due to the economic downturn in the region and is now likely to move forward in FY2017.

- Recurring revenue from software maintenance and support grew by over 50% during the year which is encouraging and in line with the Company's mandate to grow its annuity revenue business.

- The Australian IXP business grew strongly realigning itself with growth expectations after a slow performance in the FY2015 year. Expansion plans at NextDC and Macquarie Telecom are expected to drive a new round of purchases in FY 2017 as they support their next stages of development.

- Traction continues to grow in Asian markets as banking and finance sector reforms drive a higher level of data management and compliance. PCI-DSS (Payment Card Industry Data Security Standard) is starting to impact decision making which will continue to build demand for more sophisticated data centre cabinet security solutions, a position which TZ is well placed to exploit.

- TZ's IXP European business has been steady for the last few years but has yet to deliver on the potential in the European market for our solutions. FY2017 does however look very promising with a number of major projects likely to move forward and customers like Century Link and Sungard looking to expand the use of IXP solutions at their facilities.

Corporate Affairs

- In June, the Company successfully completed a placement with a small number of sophisticated investors to raise A$3.76M after brokerage fees. The capital improves the Company's cash balance and will support the on-going deployments with its established Postal and Logistics customers.

- The Company also successfully closed a Share Purchase Plan for existing shareholders which raised a further A$222,000 in addition to the funds raised through the placement.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005

Name of entity

TZ Limited

ABN	Quarter ended ("current quarter")
26 073 979 272	30 June 2016

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date $A'000
1.1	Receipts from customers	7,736	21,013
1.2	Payments for		
	(a) staff costs	(2,813)	(9,482)
	(b) advertising and marketing	(62)	(408)
	(c) research and development		
	(d) leased assets	(142)	(464)
	(e) other working capital	(4,244)	(12,108)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	7	28
1.5	Interest and other costs of finance paid		
1.6	Income taxes refund/(paid)	72	116
1.7	Other Income		
	Net operating cash flows	554	(1,305)

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date $A'000
1.8	Net operating cash flows (carried forward)	554	(1,305)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses		
	(b) equity investments		
	(c) intellectual property	(62)	(296)
	(d) physical non-current assets	(447)	(1,712)
	(e) other non-current assets		
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)		
	(b) equity investments		
	(c) intellectual property		
	(d) physical non-current assets		
	(e) other non-current assets		
1.11	Loans to other entities	26	(8)
1.12	Loans repaid by other entities		
1.13	Other - Investment in cash trust		
	Net investing cash flows	(483)	(2,016)
1.14	**Total operating and investing cash flows**	71	(3,321)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, notes, etc.	3,736	3,736
1.16	Proceeds from sale of forfeited shares		
1.17	Proceeds from borrowings		
1.18	Repayment of borrowings		
1.19	Proceeds from investment redemption		
1.20	Other - Share issue costs		
	Net financing cash flows	3,736	3,736
	Net increase (decrease) in cash held	3,807	415
1.21	Cash at beginning of quarter/year to date	2,291	5,688
1.22	Exchange rate adjustments to item 1.21	4	(1)
1.23	**Cash at end of quarter/year to date**	6,102	6,102

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities and associates of the related entities

		Current quarter $A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	287
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Being directors' fees & allowances, office rent, accounting fees, administration and marketing costs paid to the directors and their related entities during the period.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
4.1	Cash on hand and at bank	4,317	1,863
4.2	Deposits at call		
4.3	Bank overdraft		
4.4	Other – Foregin currencies held overseas	1,785	428
	Total: cash at end of quarter (item 1.23)	6,102	2,249

Acquisitions and disposals of business entities 30/06/2016

		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity/business	N/A	N/A
5.2	Place of incorporation or registration	N/A	N/A
5.3	Consideration for acquisition or disposal	N/A	N/A
5.4	Total net assets	N/A	N/A
5.5	Nature of business	N/A	N/A

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 28 July 2016
(Director/Company secretary)

Print name: Kenneth Ting

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.

6.2	- reconciliation of cash flows arising from operating activities to operating profit or loss
9.2	- itemised disclosure relating to acquisitions
9.4	- itemised disclosure relating to disposals
12.1(a)	- policy for classification of cash items
12.3	- disclosure of restrictions on use of cash
13.1	- comparative information

30/06/2016

3 **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.