

**TZ LIMITED**  
**ACN 073 979 272**

**NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY  
MEMORANDUM**

*For a meeting to be held on 17 November 2010 at 10.00 am  
at Radisson Plaza Hotel, Press Rooms 1, 2 and 3, Lower Ground Floor,  
27 O'Connell Street, Sydney, New South Wales*

**THIS IS AN IMPORTANT DOCUMENT AND SHOULD  
BE READ IN ITS ENTIRETY**

**If you do not understand any part of this document  
please contact a professional adviser immediately**

**TZ LIMITED**  
**ACN 073 979 272**

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is given that an Annual General Meeting of members of TZ Limited (“**Company**”) will be held at Radisson Plaza Hotel, Press Rooms 1, 2 and 3, Lower Ground Floor, 27 O’Connell Street, Sydney, New South Wales at 10.00 am on 17 November 2010.

The business to be considered at the Annual General Meeting is set out below. Information on the proposals to which the business relates is set out in the Explanatory Memorandum which accompanies this Notice. This Notice should be read in conjunction with the accompanying Explanatory Memorandum.

**ORDINARY BUSINESS**

**Financial statements and reports**

To receive and consider the financial report, directors’ report and auditor’s report for the financial year ended 30 June 2010.

**Short explanation:** This item of business is for discussion at the Annual General Meeting and is not a resolution.

**Resolution 1 – Re-election of Dickory Rudduck as director**

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*“That Dickory Rudduck, who was appointed as a director of the Company since the last annual general meeting of the Company and, being eligible, offers himself for re-election, be re-elected as a director of the Company.”*

**Resolution 2 – Re-election of Mark Bouris as director**

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*“That Mark Bouris, who retires in accordance with regulation 14.5 of the Company’s constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company.”*

**Resolution 3 - Remuneration report**

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*“That the remuneration report for the financial year ended 30 June 2010 be adopted.”*

**Short explanation:** The remuneration report is set out in the Company’s annual report for the financial year ended 30 June 2010. Section 250R(2) of the Corporations Act 2001 (Cth) provides that at a listed company’s annual general meeting, a resolution that the remuneration report be adopted must be put to the vote. However, shareholders should be aware that the vote on the resolution is advisory only and does not bind the Directors or the Company.

## SPECIAL BUSINESS

### **Resolution 4 – Approval of prior issue of Series III Convertible Notes to QVT Funds**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 7.4 of the ASX Listing Rules and for all other purposes, the Company approve the issue of:*

- (a) *1,547 Series III Convertible Notes to QVT Fund LP; and*
- (b) *167 Series III Convertible Notes to Quintessence Fund L.P.,*

*the details of which are set out in section 4 of the Explanatory Memorandum which accompanies the notice of meeting convening the meeting at which this resolution is proposed.”*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by QVT Fund LP and Quintessence Fund L.P. and any of their associates. However, the Company need not disregard a vote on the resolution if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **Resolution 5 – Approval of issue of Series IIIB Convertible Notes to QVT Funds**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 7.1 of the ASX Listing Rules and for all other purposes, the shareholders of the Company approve and authorise the issue of such number of Series IIIB Convertible Notes to QVT Fund LP and Quintessence Fund L.P. as determined in accordance with the formula set out on page 8 of the Explanatory Memorandum which accompanies the notice of meeting convening the meeting at which this resolution is proposed, and on such other terms as described in that section.”*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by QVT Fund LP and Quintessence Fund L.P. and any of their associates. However, the Company need not disregard a vote on the resolution if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Resolution 6 – Approval of issue of Options to QVT Funds**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 7.1 of the ASX Listing Rules and for all other purposes, the shareholders of the Company approve the issue of:*

- (a) 2,704,625 options to acquire ordinary class shares to QVT Fund LP; and
- (b) 295,375 options to acquire ordinary class shares to Quintessence Fund L.P.,

*the details of which are set out in section 6 of the Explanatory Memorandum which accompanies the notice of meeting convening the meeting at which this resolution is proposed.”*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by QVT Fund LP and Quintessence Fund L.P. and any of their associates. However, the Company need not disregard a vote on the resolution if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Resolution 7 – Approval of prior issue of Series II Convertible Notes to Sydcomp Pty Limited**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 7.4 of the ASX Listing Rules and for all other purposes, the Company approve the issues since 26 February 2010 of an aggregate of 1,380,000 Series II Convertible Notes to Sydcomp Pty Limited, the details of which are set out in section 7 of the Explanatory Memorandum which accompanies the notice of meeting convening the meeting at which this resolution is proposed.*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by Sydcomp Pty Limited and any of its associates. However, the Company need not disregard a vote on the resolution if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **Resolution 8 – Reorganisation of Series II Convertible Notes**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That the shareholders of the Company approve and authorise the reorganisation of 732,500 Series II Convertible Notes held by Sydcomp Pty Limited so that the conversion price applying on the conversion of the 732,500 Series II Convertible Notes is reduced from 42 cents per ordinary share in the Company to 39.13 cents per ordinary share and otherwise on the terms and conditions set out in section 8 of the Explanatory Memorandum which accompanies the notice of meeting convening the meeting at which this resolution is proposed.”*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by Sydcomp Pty Limited and any of its associates. However, the Company need not disregard a vote on the resolution if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **Resolution 9 - Approval of issue of shares to Sydcomp Pty Limited**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That, subject to passing resolution 8, for the purposes of Listing Rule 7.1 of the ASX Listing Rules and for all other purposes, the shareholders of the Company approve the issue to Sydcomp Pty Limited of that number of fully paid ordinary shares in the Company determined in accordance with the formula set out on page 16 of the Explanatory Memorandum which accompanies the notice of meeting convening the meeting at which this resolution is proposed, at an issue price of 39.13 cents per ordinary share as a result of the conversion of 732,500 Series II Convertible Notes held by Sydcomp Pty Limited.”*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by Sydcomp Pty Limited and any of its associates. However, the Company need not disregard a vote on the resolution if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **Resolution 10 - Approval of prior issue of Shares**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 7.4 of the ASX Listing Rules and for all other purposes, the Company approve the issue of 476,192 fully paid ordinary shares in the Company to Gerard Peter Rees, Eric Walsh, Dawsal Pty Limited and The Uni Pub Pty*

*Ltd on the basis set out in section 10 of the Explanatory Memorandum which accompanies the notice of meeting convening the meeting at which this resolution is proposed.”*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by Gerard Peter Rees, Eric Walsh, Dawsal Pty Limited and The Uni Pub Pty Ltd and any of their associates. However, the Company need not disregard a vote on the resolution if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **Resolution 11 – Approval of prior issue of options to Howard Todd Horberg**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 7.4 of the ASX Listing Rules and for all other purposes, the Company approve the issue of 150,000 options to acquire ordinary class shares to Howard Todd Horberg the details of which are set out in section 11 of the Explanatory Memorandum which accompanies the notice of meeting convening the meeting at which this resolution is proposed.”*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by Howard Todd Horberg and his associates. However, the Company need not disregard a vote on the resolution if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **ADDITIONAL INFORMATION**

This notice of meeting is accompanied by an Explanatory Memorandum which provides an explanation of the business of the meeting, including the proposed resolutions.

#### **Voting entitlement**

The board of directors of TZ Limited has determined in accordance with regulation 7.11.37 of the Corporations Regulations that for the purpose of voting at the Annual General Meeting, shares will be taken to be held by those who hold them at 7.00 pm (Sydney time) on 15 November 2010. This means that if you are not the registered holder of a relevant share at the time, you will not be entitled to vote in respect of that share.

#### **Voting by proxy**

Each shareholder who is entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on behalf of that shareholder. The proxy need not be a shareholder. Please note that a proxyholder cannot vote on a show of hands but can speak at the meeting and can vote on a poll.

A shareholder who is entitled to cast two or more votes may appoint one or two proxies and may specify the proportion or number of votes that each proxy is appointed to exercise. If a shareholder appoints two proxies and the appointment does not specify the proportion, or number, of shareholder's votes, each proxy may exercise half the votes (disregarding fractions). Neither proxy may vote on a show of hands.

A proxy appointment form is enclosed with this notice of meeting. For the appointment of a proxy to be effective for a meeting, the following documents must be received by 10.00 am (Sydney time) on 15 November 2010:

- (a) the proxy's appointment; and
- (b) if the appointment is signed by the appointer's attorney – the authority under which the appointment was signed or a certified copy of the authority.

Documents may be lodged by posting, delivery or facsimile to TZ Limited's share registry at:

**Computershare Investor Services Pty Limited**

GPO Box 242

Melbourne VIC 3001

Australia

Facsimile: 1800 783 447 (within Australia)

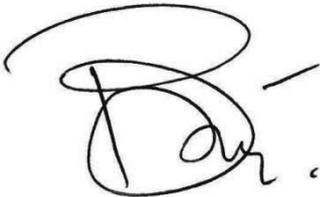
+61 3 9473 2555 (outside Australia)

If posting, please allow sufficient time for your form to be received by 10.00 am on 15 November 2010. For intermediary online subscribers (custodians), please visit [www.intermediaryonline.com](http://www.intermediaryonline.com).

**Corporate representatives**

A body corporate may appoint an individual as a representative to exercise all or any of the powers the body corporate may exercise at meetings of shareholders. The appointment may be a standing one. Unless otherwise specified in the appointment, the representative may exercise, on the body corporate's behalf, all of the powers that the body corporate could exercise at a meeting or in voting on a resolution.

By order of the board of directors  
of TZ Limited



KENNETH TING  
COMPANY SECRETARY  
15th October 2010

**TZ Limited**  
**ACN 073 979 272**  
**Annual General Meeting**  
**Explanatory Memorandum**

**Important information**

This Explanatory Memorandum has been prepared for the information of the shareholders of TZ Limited (the “**Company**”) in connection with the business to be conducted at the Annual General Meeting of the Company to be held at 10.00 am (Sydney time) on 17 November 2010, at Radisson Plaza Hotel, Press Rooms 1, 2 and 3, Lower Ground Floor, 27 O’Connell Street, Sydney, New South Wales.

The purpose of this Explanatory Memorandum is to provide information that the Directors believe to be material to shareholders in deciding whether or not to pass the resolutions set out in the Notice. **In particular, you should note that if:**

- (a) **any of resolutions 4 or 6 are not passed, the QVT Funds may demand immediate repayment of all outstanding debt plus interest owing to them which is payable under the QVT Convertible Note Deed and the Amendment and Issue Deed;**
- (b) **resolution 5 is not passed the QVT Funds may demand immediate repayment of all outstanding debt plus interest owing to them which is payable under the QVT Loan Deed; and**
- (c) **any of resolutions 8 or 9 are not passed then Sydcomp can require immediate redemption of all Series II Convertible Notes then outstanding and the QVT Funds may demand immediate repayment of all outstanding debt plus interest owing to them which is payable under the QVT Loan Deed.**

**If any of the above were to occur it is very likely that the Company would be rendered insolvent and would not be able to continue trading as a going concern. If so, it is then likely that the Company would be placed into voluntary administration and/or receivership and that, as a consequence, the Company's shareholders are highly unlikely to receive any value for their Shares.**

**You should read this document carefully.**

This Explanatory Memorandum and the accompanying Notice are important. You should read each document in its entirety before deciding how to vote on the resolutions at the Meeting. If you are in doubt as to what you should do, you should consult your financial, legal or other professional adviser.

**No investment advice**

This Explanatory Memorandum does not constitute financial product advice and it does not purport to contain all the information that a prospective investor may require in evaluating a possible investment in the Company. This Explanatory Memorandum has been prepared without taking account of any person’s particular investment objectives, financial situation or needs.

## **Disclosures regarding forward looking matters**

This Explanatory Memorandum contains certain forward looking statements. Forward looking statements can generally be identified by the use of forward looking words such as “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “will”, “could”, “may”, “target”, “plan” and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance on outlook or performance are also forward looking statements. The forward looking statements contained in this Explanatory Memorandum involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of the Company, and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not differ materially from these forward looking statements.

## **Role of ASX**

Copies of this Explanatory Memorandum and the Notice have been lodged with ASX for the purposes of Listing Rule 15.1.4. Neither ASX nor any of its officers take any responsibility for the contents of this Explanatory Memorandum and the Notice.

## **Glossary**

Unless otherwise defined in this document, capitalised terms have the meaning set out in the Glossary at the end of this Explanatory Memorandum.

### **1. Resolution 1 – Re-election of Dickory Rudduck as Director**

Mr Dickory Rudduck was appointed as an additional Director of the Company on 14 May 2010 by the Directors of the Company. Under the constitution of the Company, Mr Rudduck is required to retire from office at the next annual general meeting following his appointment, however he is eligible for re-election and may by resolution of the Company be re-elected to that office.

Accordingly, at the Meeting, Mr Rudduck will retire from office, however being eligible for re-election, offers himself for re-election as Director.

Mr Rudduck is a prolific inventor and is the founder and source behind TZ Limited’s technology and thinking. An architect by profession, Mr Rudduck established and built a successful Sydney based industrial architectural practice over a 20-year consulting career.

Mr Rudduck is a respected industrial and interior designer with past corporate clients such as Deloitte and Touche, Barclays Bank, Warners and Alcatel. At one stage, Mr Rudduck managed the design of over one million square metres of industrial space for Slough Estates, one of the largest industrial property developers in the world.

The success of his consulting practice enabled Mr Rudduck to focus on his interest in innovation and invention and allowed him to establish Intellectual Exchange Pty Ltd in 1996, with the objective of developing intellectual property with global relevance and application. Since then, Mr Rudduck has successfully commercialized many of his creations, the most lucrative being patented furniture systems with revenues in excess of \$40 Million. He has explored a diverse range of patented concepts from electronic hardware and software developments, building and construction systems to even sporting inventions. Some of his innovations include an on-board video switch and software for the IBM PC, a low cost housing solution for developing countries and a multi-functional golf tee that integrates a pencil and eraser within the “tee” form.

The Directors recommend that you vote in favour of resolution 1.

## **2. Resolution 2 – Re-election of Mark Bouris as Director**

In accordance with the Company's constitution, Mr Mark Bouris will retire by rotation from office at the Meeting, and being eligible, offers himself for re-election as a Director.

Mr Bouris has been involved in the finance and property sectors for over 25 years. In 1996, he founded Wizard Home Loans – which became one of Australia's largest non-bank lenders. From 1996 to 2004, Mr Bouris introduced four substantial capital partners to that business. The money was raised with subscription from Publishing and Broadcasting Ltd, E Corp Limited, Deutsche Asset Management Ltd (representing four Australian industry funds) and ABN Amro Australia Limited. All of these entities became equal shareholders in the group holding company Australian Financial Investments Group Ltd. Each of the above shareholders had two board seats and Mr Bouris was executive chairman.

Australian Financial Investments Group Ltd made a major acquisition in 2002 from ABN Amro Australia Limited when it acquired Australian Mortgage Securities Ltd (AMS). AMS was a global leader in issuance of Residential Mortgage Backed Securities. Following the acquisition of AMS, Mr Bouris chaired that part of the business and attended the global road shows in raising those funds. In 2004, General Electric acquired the Australian Financial Investments Group Ltd and its subsidiary company Wizard Home Loans Ltd, from companies associated with Mr Bouris, Publishing and Broadcasting Ltd, E Corp Limited, Deutsche Bank Asset Management Ltd and ABN Amro Australia Limited. Mr Bouris was retained as non-executive chairman by General Electric until February 2009 when his tenure terminated.

In July 2004, Mr Bouris was appointed Adjunct Professor (Banking & Finance and Business Law & Tax) at the University of NSW and also sits on the Australian School of Business Advisory Council Board. He is also an industry leader on consumer protection issues, having chaired the Federal Government's enquiry into E-Commerce and consumer protection in 2001.

Mr Bouris is the founder and chairman of Yellow Brick Road, a financial advisory firm. The primary function of YBR is providing financial advice and accounting services. Yellow Brick Road (YBR) owns a number of accountancy practices and one legal practice. In addition, it owns financial planning businesses and insurance broking businesses. YBR advises a range of clients from small business to large business in most aspects of finance, tax, fund raising, accounting standards and audit. Mr Bouris is a fellow at the Institute of Chartered Accountants and YBR has 40 professionally qualified staff in its Sydney Head Office.

The Directors recommend that you vote in favour of resolution 2.

## **3. Resolution 3 - Remuneration report**

The annual report for the financial year ended 30 June 2010 contains a remuneration report which sets out the remuneration policies applicable to the Company and reports the remuneration arrangements that were in place for the Company's Directors and senior executives for the financial year ended 30 June 2010.

A reasonable opportunity will be provided for discussion of the remuneration report at the meeting before shareholders are asked to vote on resolution 3, to adopt the remuneration report.

The vote on the resolution is advisory only and does not bind the Directors or the Company. However, your Directors will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

#### **4. Resolution 4 - Approval of prior issue of Series III Convertible Notes to QVT Funds**

Resolution 4 seeks shareholder approval of the issue of 1,714 Series III Convertible Notes to the QVT Funds which took place on 23 April 2010, for the purposes of Listing Rule 7.4 of the ASX Listing Rules.

##### *Background*

As announced by the Company on 18 March 2010 and 23 April 2010, in accordance with the terms of the Amendment and Issue Deed, the QVT Funds lent \$1,200,000 to the Company in payment of the subscription price for 1,200 of the 1,714 Series III Convertible Notes. The \$1,200,000 raised by the issue of those 1,200 Series III Convertible Notes was used for working capital purposes of the Company and to expand the Company's current operations and to fund new business initiatives. The remaining 514 Series III Convertible Notes were issued to the QVT Funds by way of reimbursement of:

- (i) the QVT Funds' costs and expenses paid or payable in connection with the issue of the Series III Convertible Notes to the QVT Funds;
- (ii) the QVT Funds' costs and expenses relating to the 2009 AGM; and
- (iii) costs and expenses incurred by the QVT Funds in connection with the Company's default under the QVT Convertible Note Deed for failing to pay the interest due on 31 December 2008,

to the extent those costs and expenses would not be satisfied by the issue of Shares to the QVT Funds as approved under resolution 9(e) passed at the 2009 AGM. The Company and the QVT Funds agreed in the Amendment and Issue Deed that 1,198,196 Shares would be issued to the QVT Funds pursuant to the approval under resolution 9(e) passed at the 2009 AGM. The additional costs and expenses incurred by the QVT Funds which would not be satisfied by the issue of the 1,198,196 Shares to the QVT Funds was \$514,000.00 and accordingly an additional 514 Series III Convertible Notes were issued to the QVT Funds in reimbursement of those costs and expenses on 23 April 2010. (The 1,198,196 Shares were issued to the QVT Funds pursuant to the approval under resolution 9(e) passed at the 2009 AGM on or about 11 October 2010.)

In addition to the above, the following details of the issue of the Series III Convertible Notes to the QVT Funds for which shareholder approval is sought under this resolution 4 are provided for the purposes of Listing Rule 7.5 of the ASX Listing Rules:

**Table 1:**

<b>Date of issue</b>	<b>Number of Series III Convertible Notes issued</b>	<b>Issue price per Series III Convertible Note</b>	<b>Names of the allottee</b>
23 April 2010	1,547	\$1,000.00	QVT Fund LP
23 April 2010	167	\$1,000.00	Quintessence Fund L.P.

The terms of each of the Series III Convertible Notes issued to the QVT Funds are:

- The face value of each Series III Convertible Note is \$1,000.
- Interest accrues on each Series III Convertible Note at 10% per annum, calculated on the outstanding principal amount and payable annually in arrears on 31 December each year.

- The Series III Convertible Notes are required to be repaid on the fifth anniversary of their issue, being 23 April 2015 (the “**Series III Maturity Date**”), unless converted into Shares.
- The Series III Convertible Notes may be converted during the period commencing on the earlier of: (i) the date on which shareholder approval is obtained for the issue of the Series III Convertible Notes under ASX Listing Rule 7.4 and for the issue of Shares on their conversion; and (ii) 31 December 2010, up to and including the Series III Maturity Date (the “**Series III Conversion Period**”).
- The conversion price (the “**Series III Conversion Price**”) for each Series III Convertible Note will be the lesser of \$1.00 and the lowest price at which Shares may be subsequently issued by the Company while the Series III Convertible Notes remain on issue.

As a result of the above adjustment provisions the Series III Conversion Price applying to the Series IIIB Convertible Notes as at the date of the Notice is 42 cents (which remains subject to further adjustment under the above provisions).

- The QVT Funds may elect to convert any of the Series III Convertible Notes into Shares during the Series III Conversion Period by giving an irrevocable conversion notice. The Company is required to convert each Series III Convertible Note into a specified number of Shares on terms set out in the Amendment and Issue Deed (“**Share Equivalent**”). The formula for calculating the Share Equivalent is set out below. Additionally, the Series III Convertible Notes may be converted into the Share Equivalent on the occurrence of customary events of default (including insolvency events, default by the Company, change of control and certain material adverse events) in accordance with terms of the Amendment and Issue Deed.
- The Share Equivalent is equal to the number of Shares calculated in accordance with the following formula:

$$\text{Number of Shares} = \frac{\text{VN} + \text{I}}{\text{CP}}$$

where:

VN = Face Value of the outstanding Series III Convertible Notes

I = Interest accrued but unpaid on the outstanding Series III Convertible Notes

CP = Series III Conversion Price (which at the date of this Notice is 42 cents and which will be 39.13 cents in the event that Shares are issued to Sydcomp in accordance with an approval of the Company's shareholders under resolution 9)

Table 2 below sets out the number of Shares that may be issued to the QVT Funds as a result of the conversion of the 1,714 Series III Convertible Notes at a range of different hypothetical conversion prices.

**Table 2:**

Conversion Price	Number of Shares which would be issued to QVT Funds
42 cents	4,080,952
39.13 cents	4,380,271
37 cents	4,632,432
32 cents	5,356,250
27 cents	6,348,148

Table 2 is provided as an illustrative guide only. If the Series III Convertible Notes were converted as at the date of the Notice, the Company would be contractually obliged to issue Shares at a conversion price of 42 cents.

Table 2 assumes that no accrued but unpaid interest is owing on the Series III Convertible Notes at the time of conversion.

- All or part of the Series III Convertible Notes may be redeemed in the following circumstances:
  - (a) on the close of business at the Series III Maturity Date;
  - (b) at the absolute discretion of the QVT Funds during the Series III Conversion Period;
  - (c) on a successful NASDAQ Listing; and
  - (d) on the occurrence of certain customary events of default, such as insolvency events, default by the Company, change of control of the Company and certain material adverse events. Failure to obtain shareholder approval under Listing Rule 7.4 of the ASX Listing Rules by the earlier of the date of the Meeting and 31 December 2010 as proposed by this resolution 4 is an event of default which will allow the QVT Funds to require the Series III Convertible Notes to be redeemed.
- The Series III Convertible Notes rank equally with all present and future senior unsecured liabilities of TZL.

#### *Effect of approval*

In general terms, Listing Rule 7.1 of the ASX Listing Rules imposes a 15% cap on the number of equity securities (which will include Series III Convertible Notes) that can be issued by the Company, without the approval of shareholders (or an ASX waiver), in any 12 month period ("**15% limit**"). However, the Company is permitted to issue equity securities (which includes convertible notes as well as shares and options to acquire shares) in excess of the 15% limit if those equity securities are issued in reliance on an exception to Listing Rule 7.1 or the issue is approved by shareholders (or an ASX waiver is obtained). Listing Rule 7.4 enables shareholders to subsequently approve the issue of such equity securities for the purposes of Listing Rule 7.1.

The effect of the approval by shareholders of resolution 4 would be that the 1,714 Series III Convertible Notes set out in the above table which have been issued by the Company to the QVT Funds will not count towards the 15% limit.

The Directors consider that it is appropriate and prudent for approval to be sought at the Meeting in respect of the Series III Convertible Notes issued to the QVT Funds and referred to in the above table, as this approval will enhance the Company's ability to raise further equity capital to fund the Company's ongoing working capital requirements. The Directors believe that it is in the best interests of the Company that the Directors maintain their ability to issue up to 15% of the issued capital of the Company over the next 12 months.

Furthermore, failure to obtain shareholder approval under Listing Rule 7.4 of the ASX Listing Rules by the earlier of the date of the Meeting and 31 December 2010 is an event of default under the terms of the Series III Convertible Notes which would give the QVT Funds the right to:

- immediately issue a default notice in respect of the Company's failure to obtain shareholder approval under Listing Rule 7.4 of the ASX Listing Rules by the date of the Meeting;
- increase the interest rate applicable to the Series III Convertible Notes from 10% per annum to the default rate of 12% per annum; and
- commence legal proceedings against the Company to enforce any default notice issued by the QVT Funds.

**Shareholders should note that in the event that resolution 4 is not passed by the Company's shareholders, the QVT Funds may demand immediate repayment of all of the outstanding debt plus interest owing to the QVT Funds under the Series I Convertible Notes and the Series III Convertible Notes.**

**If this occurs, it is very likely that the Company would be rendered insolvent and would not be able to continue trading as a going concern.**

**If so, it is then likely that the Company would be placed into voluntary administration and/or receivership and that, as a consequence, the Company's shareholders are highly unlikely to receive any value for their Shares.**

**The Directors recommend that you vote in favour of resolution 4.**

## **5. Resolution 5 - Approval of issue of Series IIIB Convertible Notes to the QVT Funds**

### *Background*

Under the QVT Loan Deed, the QVT Funds lent US\$4,100,000 (the “**Principal**”) to the Company's wholly owned subsidiary, Telezygology Inc., for the purpose of meeting ongoing working capital expenses, to expand the group's current operations and to fund new business initiatives related to the existing lines of business of the Company and its subsidiaries. The repayment of the debt owing under the QVT Loan Deed has been guaranteed by the Company and is secured by a first ranking charge over all of the assets of the Company (other than the Company's shares in its subsidiaries Product Development Technologies Inc. and PDT Holdings, Inc.).

Under the terms of the QVT Loan Deed, the QVT Funds have the right to require the Company to take all reasonable actions necessary (including seeking any necessary shareholder approval) to issue Series IIIB Convertible Notes having a face value equal to US\$4,100,000 plus the amount of any accrued but unpaid interest (“**Interest**”) on the basis that the Principal and Interest owing under the QVT Loan Deed shall be deemed to have been repaid by the issue of those Series IIIB Convertible Notes to the QVT Funds. The QVT Funds have made such a request to the Company and the Company has agreed, subject to all necessary Shareholder approvals being received, to issue Series IIIB Convertible Notes to the QVT Funds in repayment of the Principal and Interest.

Resolution 5 seeks shareholder approval for the issue of the Series IIIB Convertible Notes to the QVT Funds for the purposes of Listing Rule 7.1 of the ASX Listing Rules.

In general terms, Listing Rule 7.1 of the ASX Listing Rules imposes a 15% cap on the number of equity securities (which includes convertible notes as well as shares and options to acquire shares) that can be issued by the Company, without the approval of shareholders (or an ASX waiver), in any 12 month period (“**15% limit**”). However, the Company is permitted to issue equity securities in excess of the 15% limit if those equity securities are issued in reliance on an exception to Listing Rule 7.1 or the issue is approved by shareholders (or an ASX waiver is obtained). The Series IIIB Convertible Notes proposed to be issued under this resolution 5 may exceed the 15% limit threshold.

Furthermore, failure to obtain shareholder approval under Listing Rule 7.1 of the ASX Listing Rules for the issue of the Series IIIB Convertible Notes is an event of default under the terms of the QVT Loan Deed which would give the QVT Funds the right to demand immediate repayment of all Principal and Interest owing under the QVT Loan Deed.

Accordingly, the Company is seeking shareholder approval for the issue of the Series IIIB Convertible Notes to the QVT Funds.

In addition to the above, the following details of the proposed issue of Series IIIB Convertible Notes for which shareholder approval is sought are provided for the purposes of Listing Rule 7.3 of the ASX Listing Rules:

- The number of Series IIIB Convertible Notes to be issued is determined in accordance with the following formula:

$$\begin{array}{l} \text{Number of Series IIIB} \\ \text{Convertible Notes} \end{array} = \frac{\text{P + I}}{\$1,000}$$

where:

$$\text{P} = \text{US\$4,100,000}$$

$$\text{I} = \text{Interest accrued but unpaid under the QVT Loan Deed as of the date of issue of the Series IIIB Convertible Notes}$$

- The Series IIIB Convertible Notes will be issued by no later than 17 February 2011, subject to resolution 5 being approved by the Shareholders.
- The Series IIIB Convertible Notes will be issued to QVT Fund LP and Quintessence Fund L.P., with approximately 90.2% of the Series IIIB Convertible Notes to be issued to QVT Fund LP and approximately 9.8% of the Series IIIB Convertible Notes to be issued to Quintessence Fund L.P.

- The terms of each of the Series IIIB Convertible Notes to be issued to the QVT Funds are:
  - The face value of each Series IIIB Convertible Note will be \$1,000.
  - Interest will accrue on each Series IIIB Convertible Note at 10% per annum, calculated on the outstanding principal amount and payable annually in arrears on 31 December each year.
  - The Series IIIB Convertible Notes must be repaid on the fifth anniversary of their issue (the “**Series IIIB Maturity Date**”), unless converted into Shares.
  - The Series IIIB Convertible Notes may be converted during the period commencing on the date of their issue up to and including the Maturity Date (the “**Series IIIB Conversion Period**”).
  - The conversion price (the “**Series IIIB Conversion Price**”) for each Series IIIB Convertible Note will be the lesser of 42 cents and the lowest price at which Shares may be subsequently issued by the Company while the Series IIIB Convertible Notes remain on issue.
  - The QVT Funds may elect to convert any of the Series IIIB Convertible Notes into Shares during the Series IIIB Conversion Period by giving an irrevocable conversion notice. The Company is required to convert each Series IIIB Convertible Note into a specified number of Shares (“**Share Equivalent**”) determined under the formula for calculating the Share Equivalent is set out below. Additionally, the Series IIIB Convertible Notes may be converted into the Share Equivalent on the occurrence of customary events of default (including insolvency events, default by the Company, change of control and certain material adverse events).
  - The Share Equivalent is equal to the number of Shares calculated in accordance with the following formula:

$$\text{Number of Shares} = \frac{\text{VN} + \text{I}}{\text{CP}}$$

where:

VN = Face Value of the outstanding Series IIIB Convertible Notes

I = Interest accrued but unpaid on the outstanding Convertible Notes

CP = Series IIIB Conversion Price (which at the date of this Notice is \$0.42)

Table 3 below sets out the number of Shares that may be issued to the QVT Funds as a result of the conversion of the Series IIIB Convertible Notes at a range of different hypothetical conversion prices.

**Table 3:**

<b>Conversion Price</b>	<b>Number of Shares which would be issued to QVT Funds</b>
42 cents	10,275,688
39.13 cents	11,029,361
37 cents	11,664,295
32 cents	13,486,841
27 cents	15,984,401

Table 3 is provided as an illustrative guide only. If the Series IIIB Convertible Notes were converted as at the date of the Notice, the Company would be contractually obliged to issue Shares at a conversion price of 42 cents.

Table 3 assumes:

- (a) no accrued but unpaid interest is owing on the Series IIIB Convertible Notes at the time of conversion; and
- (b) an exchange rate of 95 US cents to the Australian Dollar resulting in a total principal amount owing at the time of conversion of \$4,315,789.
- All or part of the Series IIIB Convertible Notes may be redeemed in the following circumstances:
  - (a) on the close of business at the Series IIIB Maturity Date;
  - (b) at the absolute discretion of the QVT Funds during the Series IIIB Conversion Period;
  - (c) on a successful NASDAQ Listing; and
  - (d) on the occurrence of certain customary events of default, such as insolvency events, default by the Company, change of control of the Company and certain material adverse events.
- The Company's obligations under the Series IIIB Convertible Notes will be secured by the Charge.

The debt owing under the QVT Loan Deed, which is repaid by the issue of the Series IIIB Convertible Notes, is being used for the purpose of meeting ongoing working capital expenses, to expand the Group's current operations and to fund new business initiatives related to the existing lines of business of the Company and its subsidiaries.

*Consequences of resolution 5 not being passed by the Company's shareholders*

Failure to obtain shareholder approval under Listing Rule 7.1 of the ASX Listing Rules for the issue of the Series IIIB Convertible Notes at the Meeting is an event of default under the QVT Loan Deed.

**Shareholders should note that in the event that resolution 5 is not passed by the Company's shareholders, the QVT Funds may demand immediate repayment of all of the outstanding Principal and Interest owing under the QVT Loan Deed.**

**If this occurs, it is very likely that the Company (as guarantor under the QVT Loan Deed) would be rendered insolvent and would not be able to continue trading as a going concern.**

**If so, it is then likely that the Company would be placed into voluntary administration and/or receivership and that, as a consequence, the Company's shareholders are highly unlikely to receive any value for their Shares.**

**The Directors recommend that you vote in favour of resolution 5.**

## **6. Resolution 6 - Approval of issue of options to the QVT Funds**

### *Background*

Under the QVT Convertible Note Deed, the Company and the QVT Funds had agreed that if, while the 3,000,000 options ("Existing Options") issued under the QVT Convertible Note Deed remain on issue (which Existing Options have an exercise price of \$4.00 per Existing Option), the Company makes a new issue of Shares at a price less than \$4.00 then the exercise price applying to the Existing Options will be reduced to the lowest such Share issue price.

As at the date of this Notice, the lowest price at which Shares have been issued is 42 cents.

It is not possible under the ASX Listing Rules to restructure the issue price applying to the Existing Options, even with shareholder approval.

Accordingly, the Company has agreed, subject to all necessary shareholder approvals being obtained, to issue the QVT Funds with 3,000,000 new options to subscribe for Shares at an exercise price of \$0.42 per Share (the "**QVT Options**").

The Company is of the view that the QVT Funds are not related parties of the Company.

Resolution 6 seeks shareholder approval for the issue of the QVT Options to the QVT Funds for the purposes of Listing Rule 7.1 of the ASX Listing Rules. In general terms, Listing Rule 7.1 of the ASX Listing Rules imposes a 15% cap on the number of equity securities (including options) that can be issued by the Company, without the approval of shareholders (or an ASX waiver), in any 12 month period ("**15% limit**"). However, the Company is permitted to issue equity securities (which includes convertible notes as well as shares and options to acquire shares) in excess of the 15% limit if those equity securities are issued in reliance on an exception to Listing Rule 7.1 or the issue is approved by shareholders (or an ASX waiver is obtained). The issue of the Series IIIB Convertible Notes and the QVT Options may cause the Company to exceed the 15% threshold. Accordingly, the Company is seeking shareholder approval for the issue of the QVT Options to the QVT Funds.

The following details of the proposed issue of the QVT Options for which shareholder approval is sought are provided for the purposes of Listing Rule 7.3 of the ASX Listing Rules:

- The number of QVT Options to be issued is 3,000,000 as follows:
  - (a) 2,704,625 QVT Options to QVT Fund LP; and

(b) 295,375 QVT Options to Quintessence Fund L.P.

- The QVT Options will be issued by no later than 17 February 2011, subject to resolution 6 being approved by the Shareholders.
- Each QVT Option will be issued for nil consideration.
- The QVT Options will be issued to QVT Fund LP and Quintessence Fund L.P.
- The terms of each of the QVT Options to be issued to the QVT Funds are:
  - Each QVT Option entitles the holder, when exercised, to subscribe for one Share, subject to adjustment as set out below.
  - The exercise price to convert each QVT Option into Shares is \$0.42 (the “**QVT Option Price**”).
  - The QVT Options are exercisable at any time during the Conversion Period in multiples of one thousand QVT Options by the QVT Funds completing an exercise Notice and paying the QVT Option Price.
  - The QVT Options will not be listed on the Australian Securities Exchange.
  - All Shares issued upon exercise of the QVT Options will rank pari passu with all other Shares in all respects.
  - There are no participating rights or entitlements inherent in the QVT Options and holders will not be entitled to participate in new issues of capital offered to shareholders in the Company prior to the QVT Options being exercised through its ownership of the QVT Options other than pursuant to any applicable anti-dilution provision applying to the QVT Options.
  - If the Company makes a pro rata issue (except a bonus issue) to the holders of Shares, the QVT Option Price will be reduced in accordance with the formula contained in Listing Rule 6.22.2 and 6.22.2A of the ASX Listing Rules.
  - If the Company makes a bonus issue to the holders of Shares, the number of Shares over which each QVT Option is exercisable will be increased in accordance with Listing Rule 6.22.3 of the ASX Listing Rules.
  - If the Company reorganises its capital (including by consolidation, sub-division, reduction, cancellation or return) the QVT Options will be reorganised and the Company’s rights will change to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

*Consequences of resolution 6 not being passed by the Company's shareholders*

A failure to obtain shareholder approval under Listing Rule 7.1 of the ASX Listing Rules at the Meeting for the issue of the QVT Options will cause the Company to be in breach of its obligations under the QVT Convertible Note Deed.

**Shareholders should note that in the event that resolution 6 is not passed by the Company's shareholders, the QVT Funds may demand immediate repayment of all of the outstanding Principal and Interest owing to the QVT Funds payable under the QVT Convertible Note Deed and the Amendment and Issue Deed.**

**If this occurs, it is very likely that the Company would be rendered insolvent and would not be able to continue trading as a going concern.**

**If so, it is then likely that the Company would be placed into voluntary administration and/or receivership and that, as a consequence, the Company's shareholders are highly unlikely to receive any value for their Shares.**

**The Directors recommend that you vote in favour of resolution 6.**

**7. Resolution 7 - Approval of Prior Issue of Series II Convertible Notes to Sydcomp Pty Limited**

Pursuant to the Series II Convertible Note Deed, the Company issued a total of 5,241,000 Series II Convertible Notes during the period from 16 July 2009 to 24 March 2010. 3,861,000 of the Series II Convertible Notes were issued prior to the date of the 2009 AGM and the issue of those convertible notes was approved by the Company's shareholders for the purposes of Listing Rule 7.4 at the 2009 AGM. Resolution 7 seeks shareholder approval for the issue of the 1,380,000 Series II Convertible Notes (the "**Additional Notes**") which were issued to Sydcomp after the date on which the 2009 AGM was held.

The following details of the issue of the Additional Notes are provided for the purposes of Listing Rule 7.5 of the ASX Listing Rules:

**Table 4:**

<b>Date of issue</b>	<b>Number of Series II Convertible Notes issued</b>	<b>Issue price per Series II Convertible Note</b>
19 March 2010	715,000	\$1.00
24 March 2010	665,000	\$1.00

The terms of each of the Series II Convertible Notes are set out below:

- Interest accrues on each convertible note at 10% per annum, calculated on the outstanding principal amount (of \$1.00 per convertible note) and payable annually in arrears or on the date the convertible note is redeemed.
- The convertible notes were required to be repaid on 15 July 2010 unless converted into ordinary shares of the Company.

- The convertible notes are convertible into that number of ordinary shares in the Company equal to the face value of the convertible notes (\$1.00) plus all outstanding interest divided by the lower of \$1.00 and the lowest price at which any ordinary shares may be issued by the Company after 15 July 2009 and prior to conversion.
- The Company may voluntarily redeem the convertible notes by giving 45 days written notice to a noteholder for an amount equal to the principal outstanding on the convertible notes, plus all accrued and unpaid interest ("**Redemption Amount**").
- Subject to the rights of the QVT Funds, which rights are outlined below, upon the occurrence of any of the events of default set out in the Series II Convertible Note Deed under which the convertible notes have been issued, a noteholder may either require the immediate redemption of the convertible notes by the Company for the Redemption Amount or elect to convert all or any of the convertible notes it holds into ordinary shares in the Company.
- In the event of the occurrence of an event of default under the Series II Convertible Note Deed, before any noteholder (other than the QVT Funds or their nominee) (a "**Non QVT Noteholder**") can require the redemption or conversion of any convertible notes held by it, a Non QVT Noteholder must first notify the QVT Funds and the QVT Funds will then have the right to buy the relevant convertible notes the subject of the notification at the then Redemption Amount of those convertible notes.
- The QVT Funds have a pre-emptive right to buy any convertible notes that any Non QVT Noteholder wishes to transfer.
- The repayment by the Company of all outstanding principal and interest under the convertible notes issued to Sydcomp (and any convertible notes that Sydcomp may otherwise acquire) is secured by a first ranking charge over all of the assets of the Company other than the Company's shares in its subsidiaries Product Development Technologies Inc. and PDT Holdings, Inc (the "**Sydcomp Charge**").

The use of the funds raised from the issue of the Additional Notes was for working capital purposes of the Company.

#### *Effect of approval*

In general terms, Listing Rule 7.1 of the ASX Listing Rules imposes a 15% cap on the number of equity securities (including convertible notes) that can be issued by the Company, without the approval of shareholders (or an ASX waiver), in any 12 month period ("**15% limit**"). However, the Company is permitted to issue equity securities (which includes convertible notes as well as shares and options to acquire shares) in excess of the 15% limit if those equity securities are issued in reliance on an exception to Listing Rule 7.1 or the issue is approved by shareholders (or an ASX waiver is obtained). Listing Rule 7.4 enables shareholders to subsequently approve the issue of such equity securities for the purposes of Listing Rule 7.1.

The effect of the approval by shareholders of resolution 7 would be that the Additional Notes set out in the above table will not count towards the 15% limit. Furthermore, any Shares issued as a result of the conversion of those Additional Notes will not count towards the 15% limit, provided the conversion takes place in accordance with the terms approved by the shareholders.

The Directors consider that it is appropriate and prudent for approval to be sought at the Meeting in respect of the Additional Notes, as this approval will enhance the Company's ability to raise further equity capital to fund the Company's ongoing working capital requirements. The Directors

believe that it is in the best interests of the Company that the Directors maintain their ability to issue up to 15% of the issued capital of the Company over the next 12 months.

The Directors recommend that you vote in favour of resolution 7.

#### **8. Resolution 8 – Reorganisation of the Remaining Series II Convertible Notes**

The Amending Deed has the effect of amending some of the terms of the 732,500 Remaining Series II Convertible Notes. In particular, the conversion ratio at which the Remaining Series II Convertible Notes are converted into Shares has been, subject to shareholder approval, reduced from 42 cents per Share to 39.13 cents per Share as set out in section 9 of this Explanatory Memorandum. This has the effect of increasing the number of Shares in the Company which Sydcomp is entitled to receive on conversion of the Remaining Series II Convertible Notes.

The Amending Deed has not altered the face value of or the interest rate applicable to the Remaining Series II Convertible Notes.

Listing Rule 7.21 of the ASX Listing Rules seeks to prevent convertible notes being reorganised where the holders of Shares do not receive the same benefit. The reorganisation of the Remaining Series II Convertible Notes by reducing the conversion price from 42 cents to 39.13 cents must occur before the issue of Shares contemplated by resolution 9 can occur. For that reason resolution 9 has been made subject to the Company's shareholders passing this resolution 8. If resolution 8 is passed, then the Company will be free to reorganise the Remaining Series II Convertible Notes by reducing the conversion price from 42 cents to 39.13 cents, notwithstanding Listing Rule 7.21.

Your Directors recommend that you vote in favour of resolution 8.

#### **9. Resolution 9 - Approval of Issue of Shares to Sydcomp Pty Limited on conversion of Series II Convertible Notes**

##### *Background*

The Company issued a total of 5,241,000 Series II Convertible Notes between the period from 16 July 2009 to 24 March 2010. A summary of the material terms of those Series II Convertible Notes is set out in section 7 of this Notice.

Pursuant to the Amending Deed:

- (a) Sydcomp agreed to convert 4,008,500 of the Series II Convertible Notes into Shares at 42 cents per Share, which was the conversion price determined under the operation of the original conversion price formula contained in the Series II Convertible Note Deed.
- (b) The Company and Sydcomp agreed for the Company to redeem 500,000 Series II Convertible Notes on 15 July 2010 and the redemption proceeds in respect of those convertible notes are required to be paid to Sydcomp on 13 October 2010.
- (c) Sydcomp and the Company agreed, subject to obtaining all necessary shareholder approvals, to convert the remaining 732,500 Series II Convertible Notes into Shares at 39.13 cents per Share.

The Shares which were issued as a result of the conversion of the 4,008,500 Series II Convertible Notes at 42 cents per Share are exempt from the operation of Listing Rule 7.1 by virtue of the operation of exception 4 of Listing Rule 7.2, which provides that an issue of securities (which includes shares) on the conversion of convertible securities, the approval of which was approved

by shareholders, is exempt from the operation of Listing Rule 7.1. Although, in the case of 1,092,500 of the 1,380,000 Series II Convertible Notes issued after the date on which the 2009 AGM was held, this is only the case if resolution 7 is passed by shareholders.

The Company now seeks the approval of the Company's shareholders for the purposes of Listing Rule 7.1 to issue Shares on conversion of the 732,500 Remaining Series II Convertible Notes at the conversion price of 39.13 cents per Share as agreed under the Amending Deed.

The following details of the proposed issue of Shares to be issued to Sydcomp upon conversion of the Remaining Series II Convertible Notes are provided for the purposes of Listing Rule 7.3:

- the number of Shares to be issued to Sydcomp upon conversion of the Remaining Series II Convertible Notes will be calculated in accordance with the following formula:

$$\text{Number of Shares} = \frac{\text{VN} + \text{I}}{\text{CP}}$$

where:

VN = \$732,500, being the face value of the Remaining Series II Convertible Notes

I = Interest accrued but unpaid on the Remaining Series II Convertible Notes as at the date of conversion

CP = 39.13 cents

By way of example, if the Remaining Series II Convertible Notes are converted into Shares on 24 November 2010 (being 5 business days after the date of the Meeting) then the total interest accrued but unpaid on that date will be \$69,050.70 and accordingly the total number of Shares to be issued to Sydcomp upon conversion of the Remaining Series II Convertible Notes would be 2,048,431 Shares.

- The Shares issued on conversion of the Remaining Series II Convertible Notes will be issued by no later than 17 February 2011, subject to shareholder approval being obtained.
- The Shares issued on conversion of the Remaining Series II Convertible Notes will be issued at a price of 39.13 cents per Share.
- The Shares issued on conversion of the Remaining Series II Convertible Notes will be issued to Sydcomp.
- The terms of the Shares issued to Sydcomp on conversion of the Remaining Series II Convertible Notes will be fully paid ordinary shares in the Company, ranking equally with other fully paid ordinary shares in the Company.
- The funds initially raised by the issue of the Remaining Series II Convertible Notes were used to meet working capital expenses of the Company.

#### *Effect of approval*

The effect of the approval by shareholders of resolution 9 would be that the Shares to be issued by the Company to Sydcomp as a result of the conversion of the 732,500 Remaining Series II Convertible Notes at the conversion price of 39.13 cents will not count towards the 15% limit. A

consequence of the approval would also be that those Shares increase the number of equity securities from which the 15% limit is calculated.

The Directors consider that it is appropriate and prudent for approval to be sought at the Meeting in respect of the Shares to be issued to Sydcomp as a result of the conversion of the 732,500 Remaining Series II Convertible Notes at the amended conversion price of 39.13 cents as this approval will enhance the Company's ability to raise further equity capital to fund the Company's ongoing working capital requirements. The Directors believe that it is in the best interests of the Company that the Directors maintain their ability to issue up to 15% of the issued capital of the Company over the next 12 months.

**Furthermore, failure to obtain shareholder approval under Listing Rule 7.1 would (subject to any right the QVT Funds may have to elect to buy the relevant notes as set out in section 7) permit Sydcomp to require the immediate redemption of the 732,500 Remaining Series II Convertible Notes. Failure to obtain shareholder approval under this resolution 9 is also a default under the QVT Loan Deed entitling the QVT Funds to demand immediate repayment of all the outstanding principal (US\$4,100,000) and accrued but unpaid interest owing under the QVT Loan Deed.**

**If this occurs, it is very likely that the Company would be rendered insolvent and would not be able to continue trading as a going concern.**

**If so, it is then likely that the Company would be placed into voluntary administration and/or receivership and that, as a consequence, the Company's shareholders are highly unlikely to receive any value for their Shares.**

**The Directors recommend that you vote in favour of resolution 9.**

## **10. Resolution 10 - Approval of prior issue of Shares**

### *Background*

Resolution 10 seeks shareholder approval of the issue of 476,192 ordinary class shares in the Company, each at an issue price of 42 cents per Share (the “**Private Placement Shares**”), for the purposes of Listing Rule 7.4 of the ASX Listing Rules. The dates of issue of the Private Placement Shares and the identity of the parties to whom they were issued and the respective number of Shares issued were as follows:

**Table 5:**

<b>Date of issue</b>	<b>Person to whom Shares issued</b>	<b>Number of Shares issued</b>
30 June 2010	Gerard Peter Rees	59,524
30 June 2010	Eric Walsh	59,524
1 July 2010	Dawsal Pty Ltd	119,048
1 July 2010	The Uni Pub Pty Ltd	238,096

The funds raised from the issue of the Private Placement Shares were used to meet working capital expenses.

The terms of the Private Placement Shares were fully paid ordinary shares in the Company, ranking equally with other fully paid ordinary shares in the Company.

*Effect of approval*

In general terms, Listing Rule 7.1 of the ASX Listing Rules imposes a 15% cap on the number of shares and options to acquire shares that can be issued by the Company, without the approval of shareholders (or an ASX waiver), in any 12 month period ("**15% limit**"). However, the Company is permitted to issue shares and options to acquire shares in excess of the 15% limit if those shares and options are issued in reliance on an exception to Listing Rule 7.1 or the issue is approved by shareholders (or an ASX waiver is obtained). Listing Rule 7.4 enables shareholders to subsequently approve the issue of such shares and options for the purposes of Listing Rule 7.1.

The effect of the approval by shareholders of resolution 10 would be that the Private Placement Shares that have been issued by the Company will not count towards the 15% limit. A consequence of the approval would also be that the Private Placement Shares would increase the number of equity securities from which the 15% limit is calculated.

The Directors consider that it is appropriate and prudent for approval to be sought at the Meeting in respect of the Private Placement Shares issued, as this approval will enhance the Company's ability to raise further equity capital to fund the Company's ongoing working capital requirements. The Directors believe that it is in the best interests of the Company that the Directors maintain their ability to issue up to 15% of the issued capital of the Company over the next 12 months.

The Directors recommend that you vote in favour of resolution 10.

**11. Resolution 11 - Approval of prior issue of options to Howard Todd Horberg**

*Background*

Resolution 11 seeks shareholder approval for the issue of 150,000 options (the "**Horberg Options**") to subscribe for 150,000 fully paid ordinary shares in the Company at an exercise price of \$1.00 per share which Horberg Options were issued to Howard Todd Horberg on 4 March 2010, for the purposes of Listing Rule 7.4 of the ASX Listing Rules.

In addition to the above details of the issue of the Horberg Options to Mr Horberg, the Company advises that the Horberg Options were issued in consideration for releases, waivers and covenants under a confidential settlement agreement between the Company and Mr Horberg.

The terms of the Horberg Options issued to Mr Horberg are:

- Each Horberg Option entitles the holder, when exercised, to one fully paid ordinary share in the Company.
- The Horberg Options have an expiry date of 29 March 2011. A Horberg Option not exercised by the expiry date will lapse.
- Each Horberg Option can be exercised at any time before the expiry date.
- The exercise price to convert each Horberg Option into ordinary shares is \$1.00.
- The Horberg Options will not be listed on the Australian Securities Exchange. The Company will seek quotation of the shares issued on exercise of the Horberg Options.

- If any reconstruction of the issued capital of the Company takes place the number of Horberg Options or the exercise price of the Horberg Options will be reconstructed in accordance with the ASX Listing Rules.

*Effect of approval*

In general terms, Listing Rule 7.1 of the ASX Listing Rules imposes a 15% cap on the number of shares and options to acquire shares that can be issued by the Company, without the approval of shareholders (or an ASX waiver), in any 12 month period ("**15% limit**"). However, the Company is permitted to issue shares and options to acquire shares in excess of the 15% limit if those shares and options are issued in reliance on an exception to Listing Rule 7.1 or the issue is approved by shareholders (or an ASX waiver is obtained). Listing Rule 7.4 enables shareholders to subsequently approve the issue of such shares and options for the purposes of Listing Rule 7.1.

The effect of the approval by shareholders of resolution 11 would be that the Horberg Options that have been issued by the Company to Mr Horberg will not count towards the 15% limit. A consequence of the approval would also be that the Horberg Options would increase the number of equity securities from which the 15% limit is calculated.

The Directors consider that it is appropriate and prudent for approval to be sought at the Meeting in respect of the Horberg Options issued to Mr Horberg, as this approval will enhance the Company's ability to raise further equity capital to fund the Company's ongoing working capital requirements. The Directors believe that it is in the best interests of the Company that the Directors maintain their ability to issue up to 15% of the issued capital of the Company over the next 12 months.

The Directors recommend that you vote in favour of resolution 11.

## GLOSSARY

In this Explanatory Memorandum:

**\$** or **A\$** means Australian dollars and **US\$** means dollars of the United States of America.

**2009 AGM** means the annual general meeting of the Company for the financial year ended 30 June 2009 held on 26 February 2010.

**Amending Deed** means the amending deed between the Company, TZ Resurgence Nominees Pty Limited, Sydcomp and the QVT Funds dated 28 June 2010 which amended the Series II Convertible Note Deed.

**Amendment and Issue Deed** means the Amendment and Issue Deed between the Company and the QVT Funds dated 23 April 2010 which amended the QVT Convertible Note Deed and pursuant to which the Series III Convertible Notes were issued by the Company to the QVT Funds.

**ASX** means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.

**ASIC** means Australian Securities and Investments Commission.

**Board** means the board of the Company.

**Charge** means the fixed and floating charge dated 13 July 2010 granted by the Company in favour of the QVT Funds, being a charge over all of the Company's property, assets, undertakings and rights other than the Company's shares in its subsidiaries Product Design Technologies, Inc. and PDT Holdings Inc., ranking equally with the Sydcomp Charge, and securing the Company's obligations under the QVT Loan Deed.

**Company** means TZ Limited ACN 073 979 272.

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

**Director** means a director of the Company.

**Explanatory Memorandum** means the explanatory memorandum accompanying the Notice.

**Group** means the Company and each related body corporate of the Company.

**Listing Rules** or **ASX Listing Rules** means the official listing rules of ASX.

**Meeting** or **Annual General Meeting** means the annual general meeting convened by the Notice.

**NASDAQ** means the securities exchange in the United States of America known as The NASDAQ Stock Market.

**NASDAQ Listing** means a scheme of arrangement complying with the provisions of Part 5.1 of the Corporations Act whereby the members of the Company transfer all of their Shares in exchange for shares in a company whose shares are approved for listing on NASDAQ or some other takeover or scheme which achieves a similar result.

**Notice** means the notice of meeting accompanying this Explanatory Memorandum.

**QVT Convertible Note Deed** means the Convertible Note and Option Subscription Deed between the Company and the QVT Funds dated 24 December 2007, as amended from time to time.

**QVT Funds** means QVT Fund LP and Quintessence Fund L.P.

**QVT Loan Deed** means the loan deed between the QVT Funds as lender, Telezygology Inc. as borrower and the Company as guarantor dated 13 July 2010 pursuant to which the QVT Funds loaned US\$4,100,000 to Telezygology, Inc.

**QVT Options** means the 3,000,000 options to acquire 3,000,000 Shares at an exercise price of 42 cents per Share to be issued to the QVT Funds as contemplated by resolution 6.

**Remaining Series II Convertible Notes** means the 732,500 Series II Convertible Notes that Sydcomp has agreed to convert into Shares at 39.13 cents per Share, subject to resolutions 8 and 9 being passed.

**Series I Convertible Notes** means the 12,000 unsecured convertible notes issued to and held by the QVT Funds under the QVT Convertible Note Deed, each with a face value of \$1,000.

**Series II Convertible Note Deed** means the Convertible Note Subscription Deed between the Company, the QVT Funds, TZ Resurgence Nominees Pty Limited and Sydcomp dated 15 July 2009, as amended from time to time.

**Series II Convertible Notes** means the secured convertible notes each with a face value of \$1.00 issued by the Company under the Series II Convertible Note Deed.

**Series III Convertible Notes** means the 1,714 unsecured convertible notes issued under the Amendment and Issue Deed each with a face value of \$1,000 issued by the Company to the QVT Funds.

**Series IIIB Convertible Notes** means the secured convertible notes that will be issued to the QVT Funds if resolution 5 is passed at the Meeting.

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

**Sydcomp** means Sydcomp Pty Limited ACN 139 601 282.

**Sydcomp Charge** means the fixed and floating charge dated 13 October 2009 granted by the Company in favour of Sydcomp, being a charge over all of the Company's property, assets, undertakings and rights other than the Company's shares in its subsidiaries Product Design Technologies, Inc. and PDT Holdings Inc., ranking equally with the Charge, and securing the Company's obligations under the Series II Convertible Notes.