

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

**NOTICE OF ANNUAL GENERAL MEETING**

**AND**

**EXPLANATORY MEMORANDUM**

*For a meeting to be held on 18 November 2014 at 10.00 am  
at The Radisson Blu 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 The Radisson Blu Plaza Hotel, Press Rooms 1, 2 and 3, Lower Ground Floor, 27 O’Connell Street, Sydney, New South Wales at 10.00 am (Sydney time) on 18 November 2014.

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 2014.

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

**Resolution 1 – Adoption of the 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 2014 be adopted."*

**Short explanation:** The remuneration report is set out in the Company’s annual report for the financial year ended 30 June 2014. Section 250R(2) of the Corporations Act 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.

**Voting Exclusion:** In accordance with the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel details of whose remuneration are included in the remuneration report; or
- (b) a Closely Related Party of such member,

however, a person described above may cast a vote on Resolution 1 if:

- the person does so as a proxy appointed in writing that specifies how the proxy is to vote on the resolution; and
- the vote is not cast on behalf of a person described in paragraphs (a) or (b).

### **Resolution 2 – Re-election of Kenneth Ting as Director**

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

*"That Kenneth Ting, 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 – Approval of prior issue of Shares - placement**

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 shareholders of the Company approve the issue of 25,126,666 fully paid ordinary shares in the Company on the basis set out in 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 any person who participated in the issue of shares referred to in this resolution 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 4 – Approval of 10% Placement Facility**

To consider and, if thought fit, to pass the following resolution as a special resolution:

*"That, pursuant to and in accordance with Listing Rule 7.1A of the ASX Listing Rules and for all other purposes, the shareholders of the Company approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in 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 a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this resolution is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or
- (b) 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 2001 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 Sunday, 16 November 2014. 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.

In the event that a shareholder appoints a proxy and specifies the way the proxy is to vote on a particular resolution:

- where the proxy is not the Chairman:
  - (a) the proxy need not vote on a poll but if the proxy does so then the proxy must vote the way that the shareholder specifies; and
  - (b) if a poll is demanded and the proxy does not attend or vote, then the Chairman is taken to have been appointed as the proxy; and
- where the Chairman is the proxy (including where the Chairman is taken to have been appointed the proxy as set out above) the proxy must vote on a poll and must vote the way that the shareholder specifies.

**Important note regarding appointing a proxy:**

**Certain categories of persons (including Directors and the Chairman of the Meeting) are prohibited from voting on resolutions relating to the remuneration of Key Management Personnel, including as proxy in some circumstances. If you are appointing a proxy, to ensure that your vote counts, please read the following and the instructions on the Proxy Form carefully.**

If you appoint a member of the Key Management Personnel (which includes Directors and the Chairman of the Meeting) or any of their Closely Related Parties as your proxy, in general, for your vote to count on **Resolution 1**, you must direct your proxy how to vote on **Resolution 1**.

If you appoint the Chairman of the Meeting as your proxy and you do not direct him how to vote on **Resolution 1**, he cannot cast your vote unless you have ticked the box in Step 1 of the Proxy Form. If you have not (i) directed the Chairman how to vote; or (ii) ticked the authorisation in Step 1 of the Proxy Form, he will not be able to cast your vote on **Resolution 1**.

If you appoint as your proxy any other Director of the Company, any other of its Key Management Personnel, or any of their Closely Related Parties and you do not direct that person how to vote on **Resolution 1**, that person will not be entitled to vote, and will not vote, your proxy on **Resolution 1**.

**Online proxy appointment**

You may appoint and direct your proxy online, by using your smartphone or by visiting [www.investorvote.com.au](http://www.investorvote.com.au).

To use this option, you will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and your allocated Control Number as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the [www.investorvote.com.au](http://www.investorvote.com.au) website. To use your smartphone voting service, scan the QR code which appears on your proxy form and follow the instructions provided. To scan the code you need to have already downloaded a free QR code reader app to your smartphone. When scanned, the QR code will take you directly to the mobile voting site. A proxy cannot be appointed electronically if they are appointed under a power of attorney or similar authority. The online proxy facility may not be suitable for shareholders who wish to appoint two proxies with different voting directions. Please read the instructions for online proxy submissions carefully before you lodge your proxy.

Custodians and other intermediaries may appoint and direct their proxy online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com) (subscribers only).

**Proxy Appointment by post or fax**

A proxy can also be appointed by using the proxy form enclosed with this notice of meeting. Information on how to complete the proxy form is included on the form.

For the appointment of a proxy using a proxy form, the following documents must be lodged:

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

### **Lodgement of proxy appointments**

For the appointment of a proxy to be effective for the meeting, the Company must receive an online proxy appointment through the website noted above or a duly completed proxy form (and if signed by an attorney, the attorney's authority or a certified copy), in either case by **10.00 am on Sunday, 16 November 2014**.

Proxy forms may be posted or faxed to the Company'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 16 November 2014.

### **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  
7 October 2014

**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 18 November 2014, at The Radisson Blu 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. Amongst other things, this Explanatory Memorandum provides members with the information to be provided under the Corporations Act and the Listing Rules.

**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.

**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.

## Financial Statements and Reports

The Corporations Act requires the financial report (which includes the Financial Statements and Directors' Declaration), the Directors' Report and Auditor's Report to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or the Company's Constitution for shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report. Shareholders will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports.

Whilst no resolution is required in relation to this item, the auditor of the Company or their representative will be available to receive questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the Auditor's Report;
- (c) the accounting policies adopted by the Company in relation to the preparation of the Financial Statements; and
- (d) the independence of the auditor in relation to the conduct of the audit.

## Resolution 1 - Remuneration report

The annual report for the financial year ended 30 June 2014 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 2014.

A reasonable opportunity will be provided for discussion of the remuneration report at the meeting before shareholders are asked to vote on Resolution 1, 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.

Under the provisions of the Corporations Act known generally as the "two strikes rule", shareholders should note that if 25% or more of the votes that are cast are voted against the adoption of the remuneration report at two consecutive Annual General Meetings, shareholders will be required to vote at the second of those Annual General Meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than any managing director who may continue to hold office indefinitely without re-election under the ASX Listing Rules) must stand for re-election. Shareholders should be aware that at the Company's 2013 annual general meeting, less than 25% of the votes that were cast voted against the adoption of the 2013 remuneration report and accordingly no spill resolution can result at this Annual General Meeting.

Noting that each Director has a personal interest in his own remuneration from the Company, the Board unanimously recommends that you vote in favour of Resolution 1.

**The Chairman intends to vote any proxies held by him in favour of Resolution 1 (unless the appointer directs him otherwise).**

## **Resolution 2 – Re-election of Kenneth Ting as Director**

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

Mr Kenneth Ting has a background in accounting, law and investment banking with a focus on the commercialisation of technology and public and private equity raisings. Mr Ting joined Deutsche Bank in 1997 after 4 years at PricewaterhouseCoopers Corporate Finance and Tax division. He was Vice President of Technology Investment Banking at Deutsche Bank and worked in Deutsche Bank's Sydney, San Francisco and London offices.

Mr Ting has a passion for technology and has worked with technology companies throughout his career. He has been involved in the completion of over \$5 billion in M&A, private equity and IPO assignments in Australia, USA and Europe. His industry specialisation is in the electronic manufacturing, software, IT services, telecom and internet sectors.

Mr Ting holds a Bachelor of Commerce and Bachelor of Law with First Class Honours from Adelaide University and is a member of the Institute of Chartered Accountants. He is also a Director of an international telecom company which he founded in 2002.

The continuing Directors unanimously support the re-election of Mr Kenneth Ting as a Director of the Company.

The Chairman intends to vote any undirected proxies held by him in favour of Resolution 2.

## **Resolution 3 – Approval of prior issue of Shares - placement**

### **Background**

The Company is seeking the approval of members for the purposes of ASX Listing Rule 7.4, in respect of the issue of 25,126,666 fully paid ordinary shares that were issued under its share placement in April 2014.

On 29 April 2014 the Company completed a capital raising by way of private placement, through the issue of 25,126,666 ordinary shares at 15 cents per share, raising \$3,768,999.90 (the "**Placement**").

### **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 ordinary shares) that can be issued by the Company, without the approval of shareholders, in any 12 month period ("**15% limit**"). However, the Company is permitted to issue shares in excess of the 15% limit if those shares are issued in reliance on an exception to Listing Rule 7.1 or the issue is approved by shareholders. Listing Rule 7.4 enables shareholders to subsequently approve the issue of such shares for the purposes of Listing Rule 7.1.

The effect of the approval by shareholders under Resolution 3 would be that the 25,126,666 Shares issued under the Placement by the Company will not count towards the 15% limit.

The Company's capital base is critical to its ability to manage its business. It is important for the Board to have maximum flexibility in accessing all forms of capital.

The requirement to obtain shareholder approval for an issue (and the need to convene a special meeting to do so), before the issue, could limit the Company's ability to take advantage of opportunities that may arise to raise equity capital.

No decision has been made by the Board to undertake any further issue of equity securities in the event that approval is received from shareholders in respect of Resolution 3. The Board will only decide to issue further equity securities if it considers it is in the best interests of the Company to do so. This may depend, amongst other things, on the Company's capital position and conditions in capital markets.

### **Information required under ASX Listing Rule 7.5**

Each of the 25,126,666 Shares were issued at an issue price of 15 cents per Share.

The funds raised from the issue of the 25,126,666 Shares have been, and will continue to be, used to meet working capital expenses of the Group.

The 25,126,666 Shares were issued on the same terms as, and rank equally with, all other ordinary shares in the capital of the Company then on issue.

The 25,126,666 Shares were allotted to various sophisticated and professional investors based on applications received under the Placement, each approved by the Company following consultation with Patersons Securities Limited and Morgans Financial Limited, who acted as co-Lead Managers for the Placement.

### **Board Recommendation**

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 members vote in favour of Resolution 3.

## **Resolution 4 – Approval of 10% Placement Facility**

### **1. General**

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting ("**10% Placement Facility**"). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 2(c) below).

## 2. Description of Listing Rule 7.1A

### (a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

### (b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue two classes of Equity Securities, namely Shares and Unlisted Options.

### (c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**A** is the number of shares on issue 12 months before the date of issue or agreement:

- (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rules 7.1 or 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- (D) less the number of fully paid shares cancelled in the 12 months.

*Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.*

**D** is 10%

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 384,874,293 Shares and therefore has a capacity to issue, subject to Shareholder approval being sought under Resolutions 3 and 4, 38,487,429 Equity Securities under Listing Rule 7.1A. At the date of this Notice, the Company has capacity to issue 28,835,478 Equity Securities under Listing Rule 7.1, which capacity would increase to 57,731,143 Equity Securities if Resolution 3 is passed.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 2(c) above).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the volume weighted average price of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX ("**10% Placement Period**").

**3. Listing Rule 7.1A**

The effect of Resolution 4 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative).

#### 4. Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities in any existing quoted class of the Company's Equitable Securities will be issued at an issue price of not less than 75% of the volume weighted average price for the Company's Equity Securities in that class over the 15 Trading Days immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 4 is approved by shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Unlisted Options, only if the Unlisted Options are exercised). There is a risk that:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares (which is assumed to be 11 cents, being the closing Share price on 1 October 2014) and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (a) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (b) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		5.5 cents 50% decrease in Issue Price	11 cents Issue Price	22 cents 100% increase in Issue Price
<b>Current Variable A</b> 384,874,293 Shares	10% Voting Dilution	38,487,429 Shares	38,487,429 Shares	38,487,429 Shares
	Funds raised	\$2,116,808	\$4,233,617	\$8,467,234
<b>50% increase in current Variable A</b> 577,311,439 Shares	10% Voting Dilution	57,731,143 Shares	57,731,143 Shares	57,731,143 Shares
	Funds raised	\$3,175,212	\$6,350,425	\$12,700,851
<b>100% increase in current Variable A</b> 769,748,586 Shares	10% Voting Dilution	76,974,858 Shares	76,974,858 Shares	76,974,858 Shares
	Funds raised	\$4,233,617	\$8,467,234	\$16,934,468

**The table has been prepared on the following assumptions:**

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) No Unlisted Options (including any Unlisted Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities.
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Unlisted Options, it is assumed that those Unlisted Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (vii) The issue price is \$0.11, being the closing price of the Shares on ASX on 1 October 2014.

- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 4 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
  - (i) to raise additional cash likely to be needed from time to time in order to obtain and fulfil new contracts of supply to the Company's customers. The fulfilment of each contract requires expenditure by the Company on associated costs including manufacturing costs, in addition to normal operating expenses;
  - (ii) to raise cash for other purposes such as the acquisition of new assets or investments (including expenses associated with such an acquisition), the continued development and enhancement of the Company's technology and/or general working capital; or
  - (iii) as non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

The allottees under the 10% Placement Facility may be limited to sophisticated and professional investors, to avoid the additional costs associated with regulatory compliance for an issue to retail investors.

Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.

- (e) The Company has obtained Shareholder approval under Listing Rule 7.1A previously, including at its 2013 annual general meeting held on 19 November 2013.

Since 17 November 2013 (that is, in the 12 months preceding the date of the Meeting) a total of 176,663,434 Equity Securities have been issued by the Company (161,663,434 Shares and 15,000,000 Unlisted Options). This represents 77.3% of the total number of Equity Securities on issue on 17 November 2013 (that is, at the commencement of the 12 months preceding the date of the Meeting), which was 228,480,647 Equity Securities (223,210,859 Shares, 5,250,000 Options and 19,788 unlisted convertible notes).

Details of the 176,663,434 Equity Securities issued by the Company since 17 November 2013 are set out immediately below.

- (i) 15,000,000 Unlisted Options were issued on 18 February 2014. Each Unlisted Option entitled the holder to subscribe for 1 Share, and had the following expiry dates and exercise prices:
- (A) 5,000,000 Unlisted Options with an exercise price of \$0.25 and an expiry date of 30 June 2018.
  - (B) 5,000,000 Unlisted Options with an exercise price of \$0.40 and an expiry date of 30 June 2019 but not able to be exercised before 18 February 2015.
  - (C) 5,000,000 Unlisted Options with an exercise price of \$0.60 and an expiry date of 30 June 2020 but not able to be exercised before 18 February 2016.

The 15,000,000 Unlisted Options were issued as part of the remuneration package for the Company's executive directors. 7,500,000 of the Options were issued to Mark Bouris and the other 7,500,000 of the Options were issued to Kenneth Ting. The 15,000,000 Unlisted Options were issued for free and therefore no cash or non-cash consideration was raised from the issue of the Options.

- (ii) 136,536,768 Shares were issued on 19 February 2014, with 123,033,511 of those Shares issued to Deutsche Bank AG London as custodian for QVT Fund LP and 13,503,257 of those Shares issued to Deutsche Bank AG London as custodian for Quintessence Fund L.P. The Shares ranked equally with existing Shares from the time of allotment. The Shares were issued in exchange for the conversion of 19,788 unlisted convertible notes and the waiving of all interest that would have otherwise accrued on those convertible notes. The deemed issue price applying to the Shares was 14 cents per Share for 14,134,285 of the Shares and 18 cents per Share for 122,402,483 of the Shares, being an effective deemed issue price of 17.59 cents per Share. This effective price represented a premium of 25.7% to the market price of the Company's Shares compared with the last trading day prior to the announcement of the proposed conversion of the convertible notes on 23 October 2013. No funds were raised by the issue of the Shares, although a total of approximately \$24.011 million of liabilities of the Company were either deemed to have been repaid or waived as a result of the issue of the Shares.

- (iii) 25,126,666 Shares were issued on 29 April 2014 under a placement. The subscribers were professional and sophisticated investors determined by the Company in consultation with the co-lead managers of the placement, Patersons Securities Limited and Morgans Financial Limited. The Shares ranked equally with existing Shares from the time of allotment. The issue price of the Shares was \$0.15 per Share. This represented a discount of approximately 6.25% to the market price at the close of trading on the day before the placement was announced on 22 April 2014. The placement raised \$3,768,999.90 before costs for additional working capital, of which approximately \$200,000 (exclusive of GST) has been spent on costs of the placement and approximately \$1.7 million on the Company's operating expenses, including customer contract fulfilment costs. The remaining balance is intended to be spent on general working capital requirements.
- (f) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

## **5. Board Recommendation**

The Directors consider that the approval of the issue of the 10% Placement Facility described above is beneficial for the Company as it provides the Company with the flexibility to issue up to the maximum number of securities permitted under Listing Rule 7.1A in the next 12 months (without further shareholder approval), should it be required. At the date of the Notice, the Company has no plans to use the 10% Placement Facility should it be approved. Accordingly, the Directors unanimously recommend that shareholders vote in favour of Resolution 4.

## GLOSSARY

In this Explanatory Memorandum:

**10% Placement Facility** has the meaning given in section 1 of the Explanatory Memorandum dealing with Resolution 4.

**10% Placement Period** has the meaning given in section 2(f) of the Explanatory Memorandum dealing with Resolution 4.

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

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

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 to be a Closely Related Party.

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

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

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

**Equity Securities** has the meaning given to that term in the Listing Rules.

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

**Group** means the Company and its Related Bodies Corporate.

**Key Management Personnel** has the meaning given to that term in the Corporations Act and generally includes those persons having authority or responsibility for planning, directing or controlling the actions of the Company, directly or indirectly, including any director (whether executive or otherwise) 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.

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

**Option** means an option to acquire a Share.

**Related Body Corporate** has the meaning given in section 9 of the Corporations Act.

**Resolution** means a resolution set out in the Notice.

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

**Shareholder** means a holder of Shares.

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**Unlisted Options** means the 20,250,000 Options on issue as at the date of this Notice which are not quoted on the ASX.

