

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

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

*For a meeting to be held on 28 November 2012 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 28 November 2012.

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 Statement which accompanies this Notice. This Notice should be read in conjunction with the accompanying Explanatory Statement.

**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 2012.

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

**Resignation of BDO Audit (NSW-VIC) Pty Ltd**

To note the resignation of BDO Audit (NSW-VIC) Pty Ltd accepted by the directors of the Company due to the audit directors of BDO Audit (NSW-VIC) Pty Ltd joining Grant Thornton Audit Pty Ltd.

**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 2012 be adopted."*

**Short explanation:** The remuneration report is set out in the Company’s annual report for the financial year ended 30 June 2012. 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 Dickory Rudduck as Director**

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

*"That Dickory Rudduck, 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 – Amendment to Series I Convertible Notes**

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 an amendment to the terms of issue of the 12,000 Series I Convertible Notes held by QVT Fund LP and Quintessence Fund L.P., which amendment has the effect of extending the maturity date applying to the 12,000 Series I Convertible Notes from 19 February 2013 to 19 February 2014 and which amendment has the potential for the Company to have to issue additional ordinary shares if the Series I Convertible Notes are converted into ordinary shares, on the basis set out in the Explanatory Statement 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.;
- any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and
- any associates of QVT Fund LP, Quintessence Fund L.P. or of any person who might obtain such a benefit if the resolution is passed.

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 issue of Series IV Convertible Notes to the 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 1,799 Series IV Convertible Notes to QVT Fund LP and Quintessence Fund L.P. on the basis set out in the Explanatory Statement 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.;
- any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and
- any associates of QVT Fund LP, Quintessence Fund L.P. or of any person who might obtain such a benefit if the resolution is passed.

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 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 14,225,279 fully paid ordinary shares in the Company on the basis set out in the Explanatory Statement 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 6 – Approval of issue of Underwriter Options to Patersons Securities Limited**

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 up to 4,060,725 Underwriter Options, having an exercise price of 14 cents per Underwriter Option and an expiry date of 31 October 2013, to Patersons Securities Limited (as underwriter of the Rights Issue) and its sub-underwriters, on the basis set out in the Explanatory Statement 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:

- Patersons Securities Limited and any other person who may participate in the issue;
- any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and
- any associates of Patersons Securities Limited, any other person who may participate in the issue or of any person who might obtain such a benefit if the resolution is passed.

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 Underwriter Options**

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 11,312,209 Underwriter Options, having an exercise price of 14 cents per Underwriter Option and an expiry date of 31 October 2013, on the basis set out in the Explanatory Statement 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 Underwriter Options 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 8 – 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 Statement 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:

- 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
- 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 – Ratification of appointment of auditor**

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

*"That the Company resolves to ratify the appointment of Grant Thornton Audit Pty Ltd as auditor of the Company."*

#### **ADDITIONAL INFORMATION**

This notice of meeting is accompanied by an Explanatory Statement 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 Monday, 26 November 2012. 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:**

**The laws that apply to voting on resolutions relating to the remuneration of Key Management Personnel have changed. Certain categories of persons (including Directors and the Chairman of the Meeting) are now prohibited from voting on such resolutions, 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, 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.

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 vote your proxy on those items of business.

A proxy appointment form is enclosed with this Notice. For the appointment of a proxy to be effective for the Meeting, the following documents must be received by 10.00 am on Monday, 26 November 2012:

- (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 26 November 2012. For intermediary online subscribers (custodians), please visit [www.intermediaryonline.com](http://www.intermediaryonline.com).

Please refer to the Proxy Form accompanying this Notice for more information.

**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  
24 October 2012

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

**Important information**

This Explanatory Statement 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 28 November 2012, 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 Statement 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 Statement provides members with the information to be provided under the Corporations Act and the Listing Rules.

In particular, you should note that if Resolution 4 is not passed, the QVT Funds may demand immediate repayment of all interest owing to them which would have been payable under the Series I Convertible Note Deed, the Series III Convertible Note Deed and the Series IIIB Convertible Note Deed for the 2011 calendar year, being the sum of \$1,798,900, plus interest on that amount retrospectively from 1 January 2012 at the Default Rate.

If the above were to occur, or if Resolution 3 was not passed, it is possible 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 Statement 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 Statement 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 Statement has been prepared without taking account of any person's particular investment objectives, financial situation or needs.

**Role of ASX**

Copies of this Explanatory Statement 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 Statement 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 Statement.

## **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.

## **1. Resolution 1 - Remuneration report**

The annual report for the financial year ended 30 June 2012 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 2012.

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 2011 annual general meeting, less than 25% of the votes that were cast voted against the adoption of the 2011 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).**

## **2. Resolution 2 – Re-election of Dickory Rudduck as Director**

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

Mr Rudduck is a prolific inventor and is the founder and source behind the Company'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 \$40million. 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 continuing Directors unanimously support the re-election of Mr Dickory Rudduck as a Director of the Company.

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

## **3. Resolution 3 – Amendment to Series I Convertible Notes**

The issue of the Series I Convertible Notes was approved by the Company's shareholders at the general meeting held on 4 February 2008 pursuant to Listing Rule 7.1 of the ASX Listing Rules, on the terms and conditions that were set out in the explanatory memorandum that accompanied the notice of meeting convening that meeting (the "**2008 Explanatory Memorandum**").

The 2008 Explanatory Memorandum contained a summary of the terms of issue of the Series I Convertible Notes. Included in that summary was a statement to the effect that the maturity date of the Series I Convertible Notes was the fifth anniversary of the subscription date (which meant that the maturity date ultimately became 19 February 2013 as the Series I Convertible Notes were issued on 19 February 2008).

The effect of this statement to shareholders was that the Company had to repay to the holder of the Series I Convertible Notes the face value of the Series I Convertible Notes plus all accrued but unpaid interest on the close of business on 19 February 2013 unless the Series I Convertible Notes had been earlier converted into Shares.

On 26 April 2012, the Company and the QVT Funds (who are the holders of the Series I Convertible Notes) entered into the Amending Deed, which deed seeks to amend the terms of issue of the Series I Convertible Notes.

Under the Amending Deed, the maturity date of 19 February 2013 will be extended by 12 months to 19 February 2014, if resolution 3 is passed by the Company's shareholders. (The extension of the maturity date under the Amending Deed is conditional on the Company's shareholders passing Resolution 3.) That is, the repayment date for the outstanding principal of \$12,000,000 will be extended to 19 February 2014 if no event of default occurs before that date.

The interest rate that applies to the Series I Convertible Notes is 10% per annum (unless the Default Rate applies). The applicable conversion price currently applying to the Series I Convertible Notes is 35 cents per Share.

If the maturity date of the Series I Convertible Notes is extended by 12 months to 19 February 2014, the interest that will accrue on the Series I Convertible Notes for that additional 12 months at 10% per annum is \$1,200,000.

If the additional interest of \$1,200,000 remains unpaid and the conversion price remains at 35 cents per Share, and if the Series I Convertible Notes are converted into Shares on the extended maturity date of 19 February 2014, then an additional 3,428,571 Shares would be issued by the Company to the QVT Funds (\$1,200,000 divided by 35 cents) compared to if the Series I Convertible Notes are converted into Shares on 19 February 2013.

The Board believes it is prudent that Resolution 3 be put to the Company's shareholders for two reasons:

- firstly, because of the potential for the Company to have to issue additional Shares if the Series I Convertible Notes are converted into Shares after 19 February 2013 and on or before 19 February 2014, the Company believes shareholders should approve the amendment to the terms of issue of the Series I Convertible Notes under ASX Listing Rule 7.1; and
- secondly, to avoid any allegation that the original resolution passed on 4 February 2008 approving the issue of the Series I Convertible Notes under Listing Rule 7.1 may have become invalidated by the extension to the maturity date of the Series I Convertible Notes agreed to in the Amending Deed.

In general terms, Listing Rule 7.1 of the ASX Listing Rules imposes a 15% cap on the number of equity securities 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 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.

### **Information required under ASX Listing Rule 7.3**

For any approval by shareholders under Listing Rule 7.1, Listing Rule 7.3 requires certain information to be notified to shareholders. For the purposes of Listing Rule 7.3, it is noted:

- No further Series I Convertible Notes are being issued as a result of or pursuant to Resolution 3. The number of Series I Convertible Notes on issue will remain at 12,000 at the time Resolution 3 is considered by the Company's shareholders to the extent that none of the Series I Convertible Notes are converted into Shares.
- The QVT Funds continue to hold the Series I Convertible Notes.
- No funds are being raised by the change to the maturity date of the Series I Convertible Notes.
- The terms applying to each of the Series I Convertible Notes are:
  - The face value of each Series I Convertible Note is \$1,000.
  - Interest accrues on each Series I Convertible Note at 10% per annum (unless the Default Rate applies), calculated on the outstanding principal amount and payable annually in arrears on 31 December each year.
  - The Series I Convertible Notes must be repaid on 19 February 2014 (if Resolution 3 is passed by the Company's shareholders) or 19 February 2013 (if Resolution 3 is not passed by the Company's shareholders) (the "**Series I Maturity Date**"), unless converted into Shares.
  - The Series I Convertible Notes may be converted during the defined period which is currently running and continues until the Series I Maturity Date (the "**Series I Conversion Period**").
  - The conversion price (the "**Series I Conversion Price**") for each Series I Convertible Note is the lesser of 35 cents and the lowest price at which Shares may be subsequently issued by the Company while the Series I Convertible Notes remain on issue.
  - The QVT Funds may elect to convert any of the Series I Convertible Notes into Shares during the Series I Conversion Period by giving an irrevocable conversion notice. The Company is required to convert each Series I Convertible Note into a specified number of Shares ("**Share Equivalent**") determined under the formula for calculating the Share Equivalent set out below. Additionally, the Series I 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 I Convertible Notes that the QVT Funds elect to convert

I = Interest accrued but unpaid on the outstanding Series I Convertible Notes that the QVT Funds elect to convert as at the date the conversion is to occur

CP = Series I Conversion Price (which at the date of this Notice is \$0.35)

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

**Table 1:**

Conversion Price	Number of Shares which would be issued to QVT Funds assuming no accrued and unpaid interest	Number of Shares which would be issued to QVT Funds assuming 6 months' accrued and unpaid interest	Number of Shares which would be issued to QVT Funds assuming 12 months' accrued and unpaid interest
35 cents	34,285,714	36,000,000	37,714,285
32 cents	37,500,000	39,375,000	41,250,000
27 cents	44,444,444	46,666,666	48,888,888

Table 1 is provided as an illustrative guide only.

Table 1 sets out the number of Shares that would be issued to the holders of the Series I Convertible Notes assuming conversion under three different scenarios – when there is no accrued interest, when there is 6 months' accrued and unpaid interest at 10% per annum and when there is 12 months' accrued and unpaid interest at 10% per annum.

- All or part of the Series I Convertible Notes may be redeemed in the following circumstances:
  - (a) on the close of business at the Series I Maturity Date;
  - (b) at the absolute discretion of the QVT Funds during the Series I Conversion Period;
  - (c) after 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.

### **Board Recommendation**

Your Directors recommend that you vote in favour of Resolution 3.

### **Resolution 4 – Approval of issue of Series IV Convertible Notes to the QVT Funds**

The QVT Funds are the holders of the Series I Convertible Notes, the Series III Convertible Notes and the Series IIIB Convertible Notes. The QVT Funds also hold 27,355,488 Shares and 6,000,000 options at the date of this Notice.

Interest on the Series I Convertible Notes, the Series III Convertible Notes and the Series IIIB Convertible Notes in respect of the 2011 calendar year was payable by the Company on 31 December 2011 in the sum of \$1,798,900.

Under the December 2011 Deed the QVT Funds agreed to accept the issue of 1,799 Series IV Convertible Notes by the Company in return for waiving the \$1,798,900 interest that became due and payable on the Series I Convertible Notes, Series III Convertible Notes and Series IIIB Convertible Notes in respect of the 2011 calendar year, subject to (amongst other things) the Company's shareholders approving the issue of the 1,799 Series IV Convertible Notes and Shares to be issued on conversion of the Series IV Convertible Notes for the purposes of ASX Listing Rule 7.1 and for all other purposes (but not including the purpose of seeking approval under item 7 of section 611 of the Corporations Act).

Resolution 4 seeks shareholder approval for the issue of the 1,799 Series IV 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) 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 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. When taken with other issues of equity securities by the Company in the 12 months preceding the date of the December 2011 Deed, the 1,799 Series IV Convertible Notes proposed to be issued under this Resolution 4 exceeded the 15% limit.

Furthermore, failure to obtain shareholder approval under Listing Rule 7.1 of the ASX Listing Rules and for all other purposes for the issue of the 1,799 Series IV Convertible Notes would give the QVT Funds the right to demand immediate repayment of the \$1,798,900 interest that would have become owing under the Series I Convertible Note Deed, Series III Convertible Note Deed and Series IIIB Convertible Note Deed in respect of the 2011 calendar year if the December 2011 Deed had not been entered into, plus interest on \$1,798,900 as from 1 January 2012 at the Default Rate.

Accordingly, the Company is seeking shareholder approval for the issue of the 1,799 Series IV Convertible Notes to the QVT Funds.

### Information required under ASX Listing Rule 7.3

In addition to the above, the following details of the proposed issue of the 1,799 Series IV 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 IV Convertible Notes to be issued is 1,799 of such convertible notes.
- QVT Funds agreed to accept the issue of 1,799 Series IV Convertible Notes by the Company in return for waiving the \$1,798,900 interest that became due and payable on the Series I Convertible Notes, Series III Convertible Notes and Series IIIB Convertible Notes in respect of the 2011 calendar year.
- The 1,799 Series IV Convertible Notes will be issued by no later than 29 November 2012, subject to Resolution 4 being approved by the Company's shareholders.
- The Series IV Convertible Notes will be issued to QVT Fund LP and Quintessence Fund L.P. and allocated to them in accordance with the written direction of the QVT Funds or QVT Financial LP on or before the issue of the Series IV Convertible Notes by the Company.
- The terms applying to each of the 1,799 Series IV Convertible Notes to be issued to the QVT Funds are:
  - The face value of each Series IV Convertible Note will be \$1,000.
  - Interest will accrue on each Series IV Convertible Note at 10% per annum (unless the Default Rate applies), calculated on the outstanding principal amount and payable annually in arrears on 31 December each year.
  - The Series IV Convertible Notes must be repaid on the fifth anniversary of their issue (the "**Series IV Maturity Date**"), unless converted into Shares.
  - The Series IV Convertible Notes may be converted during the period commencing on the date of their issue up to and including the Series IV Maturity Date (the "**Series IV Conversion Period**").
  - The conversion price (the "**Series IV Conversion Price**") for each Series IV 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 IV Convertible Notes remain on issue.
  - The QVT Funds may elect to convert any of the Series IV Convertible Notes into Shares during the Series IV Conversion Period by giving an irrevocable conversion notice. The Company is required to convert each Series IV Convertible Note into a specified number of Shares ("**Share Equivalent**") determined under the formula for calculating the Share Equivalent set out below. Additionally, the Series IV 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 IV Convertible Notes that the QVT Funds elect to convert

I = Interest accrued but unpaid on the outstanding Convertible Notes that the QVT Funds elect to convert as at the date the conversion is to occur

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

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 Series IV Convertible Notes at a range of different hypothetical conversion prices.

**Table 2:**

<b>Conversion Price</b>	<b>Number of Shares which would be issued to QVT Funds</b>
42 cents	4,283,333
35 cents	5,140,000
32 cents	5,621,875
27 cents	6,662,962

Table 2 is provided as an illustrative guide only. If the Series IV 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 no accrued but unpaid interest is owing on the Series IV Convertible Notes at the time of conversion.

- All or part of the Series IV Convertible Notes may be redeemed in the following circumstances:
  - (a) on the close of business at the Series IV Maturity Date;
  - (b) at the absolute discretion of the QVT Funds during the Series IV Conversion Period;
  - (c) after 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.

No funds will be raised as a result of the issue of the 1,799 Series IV Convertible Notes.

#### **Consequences of Resolution 4 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 1,799 Series IV Convertible Notes at the Meeting means the QVT Funds may demand immediate repayment of all interest owing to them which is payable under the Series I Convertible Note Deed, the Series III Convertible Note Deed and the Series IIIB Convertible Note Deed for the 2011 calendar year, being the sum of \$1,798,900, plus interest on that amount retrospectively from 1 January 2012 at the Default Rate.

If the above were to occur it is possible 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.

#### **Board Recommendation**

The Directors recommend that you vote in favour of Resolution 4.

#### **Resolution 5 – 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 14,225,279 fully paid ordinary shares that were issued under its share placement in February 2012.

On 23 February 2012 the Company completed a capital raising by way of private placement, through the issue of 14,225,279 ordinary shares at 32 cents per share, raising \$4,552,089 ("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 of Resolution 5 would be that the 14,225,279 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. With the current environment surrounding global credit markets, 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 5. 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 14,225,279 Shares were issued at an issue price of 32 cents per Share.

The funds raised from the issue of the 14,225,279 Shares have been, and will continue to be, used to meet working capital expenses of the Group.

The 14,225,279 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 14,225,279 Shares were allotted to various sophisticated and professional investors, each approved by the Company following consultation with Veritas Securities Limited, which acted as manager of 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 5.

## **Resolution 6 – Approval of issue of Underwriter Options to Patersons Securities Limited**

### **Background**

On 14 September 2012, the Company announced its intention to undertake a capital raising by way of a Rights Issue. Under the Rights Issue, the Company is seeking to raise approximately \$4.6 million (before costs and expenses), by way of a fully underwritten pro rata entitlement issue of 46,118,801 new Shares at 10 cents each to existing and eligible Shareholders with an offer ratio of 1 new Share for every 3 Shares held on the record date (together with 1 attaching option for every 2 new Shares acquired). It is expected that the Rights Issue will have been completed by the date on which the Meeting is held.

The entitlements under the Rights Issue were offered to those Shareholders with registered addresses in Australia, New Zealand and the United Kingdom.

The funds raised through the Rights Issue will be utilised by the Company to meet locker bank supply, commissioning and servicing contract obligations with Singapore Post; to support funding and deployment of the Company's parcel lockers in Australia as part of the Company's community locker network initiative; to fund the development of a new modular swing handle to support the launch of a new low cost upgradable IXP device underpinned by OEM supply contracts; and for general working capital purposes.

The Rights Issue is fully underwritten by Patersons Securities Limited pursuant to the Underwriting Agreement. In consideration for the services to be provided by the Underwriter, the Company has agreed, upon the successful completion of the Rights Issue, to (among other things):

1. pay an underwriting fee of 6.0% of the total amount underwritten by the Underwriter; and
2. grant 15,372,934 Options to the Underwriter, subject to shareholder approval to the extent shareholder approval is needed.

The Underwriter will also receive an advisory fee of \$50,000.

The Underwriting Agreement allows the Underwriter to appoint sub-underwriters. Accordingly, the Underwriter has sought sub-underwriting commitments for the Rights Issue. The Underwriter will pay all sub-underwriting fees and selling fees to third parties out of its fees. The Underwriter will also allocate up to 15,372,934 Options to sub-underwriters out of the Underwriter Options.

All Underwriter Options will be issued at an exercise price of 14 cents per Option and will have an expiry date of 31 October 2013. The full terms and conditions of the Underwriter Options are set out in Schedule 1 to this Explanatory Statement.

The Company can issue up to 11,312,209 Underwriter Options after completion of the capital raising under the Rights Issue without infringing the 15% placement capacity permitted by Listing Rule 7.1. These 11,312,209 Underwriter Options will be issued after the completion of the capital raising and prior to the date on which the Meeting is to be held. However, the issue of the balance of the 15,372,934 Underwriter Options, namely 4,060,725 Underwriter Options, will not fall within the Company's permitted 15% placement capacity under Listing Rule 7.1 and is subject to shareholder approval.

The Company is seeking to have Shareholders approve the issue of the 4,060,725 Underwriter Options (Resolution 6).

Neither the offer of entitlements under the Rights Issue nor the Underwriting Agreement is conditional on shareholder approval for Resolution 6. If shareholder approval is not obtained for Resolution 6, the Company must pay the Underwriter an additional underwriting fee in accordance with the Underwriting Agreement, being a cash fee of \$40,607.25 calculated at 1 cent per Underwriter Option.

Resolution 6 seeks shareholder approval for the issue of the 4,060,725 Underwriter Options to the Underwriter or its nominated sub-underwriters 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 options) 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 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. The issue of the 4,060,725 Underwriter Options would exceed the 15% limit.

Accordingly, the Company is seeking shareholder approval for the issue of the 4,060,725 Underwriter Options to Patersons Securities Limited or its nominated sub-underwriters.

### **Information required under ASX Listing Rule 7.3**

In addition to the above, the following details of the proposed issue of the 4,060,725 Underwriter Options for which shareholder approval is sought are provided for the purposes of Listing Rule 7.3 of the ASX Listing Rules:

- The maximum number of Underwriter Options to be issued under Resolution 6 is 4,060,725 of such options.
- The 4,060,725 Underwriter Options will be issued by no later than 4 December 2012, subject to Resolution 6 being approved by the Company's shareholders.
- The Underwriter Options will be granted for nil cash consideration, but will have an exercise price of 14 cents per Underwriter Option.
- The Underwriter Options will be issued to Patersons Securities Limited or its nominated sub-underwriters in accordance with the written direction of Patersons Securities Limited, none of whom are a Related Party of the Company.
- The terms applying to each of the 4,060,725 Underwriter Options to be issued are set out in Schedule 1 to this Explanatory Statement.
- No funds will be raised as a result of the issue of the 4,060,725 Underwriter Options.

The effect of Resolution 6 will be to allow the Company to issue up to 4,060,725 Underwriter Options during the period of up to 3 months after the date on which the Meeting is held without using the Company's 15% placement capacity under Listing Rule 7.1.

### **Consequences of Resolution 6 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 4,060,725 Underwriter Options at the Meeting means that Patersons Securities Limited may demand immediate payment from the Company of the sum of \$40,607.25.

## **Board Recommendation**

The Directors believe that it is in the best interests of the Company that the 4,060,725 Underwriter Options be issued rather than the Company pay out cash of \$40,607.25 to the Underwriter.

The Directors recommend that members vote in favour of Resolution 6.

## **Resolution 7 – Approval of prior issue of Underwriter Options**

### **Background**

The Company refers to the "Background" section in this Explanatory Statement relating to Resolution 6. As explained in that section, 11,312,209 Underwriter Options have been issued prior to the date on which the Meeting is being held (although they were issued after the date of the Notice).

The Company is seeking the approval of members for the purposes of ASX Listing Rule 7.4, in respect of the issue of the 11,312,209 Underwriter Options.

### **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 options) 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 options in excess of the 15% limit if those options 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 options for the purposes of Listing Rule 7.1.

The effect of the approval by shareholders of Resolution 7 would be that the 11,312,209 Underwriter Options issued by the Company will not count towards the 15% limit.

The Company's capital base is critical to its ability to manage its business. With the current environment surrounding global credit markets, 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 7. 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**

The number of securities that were allotted is 11,312,209 Underwriter Options.

The Underwriter Options were granted for nil cash consideration, but have an exercise price of 14 cents per Underwriter Option.

The terms applying to each of the 11,312,209 Underwriter Options are set out in Schedule 1 to this Explanatory Statement.

The 11,312,209 Underwriter Options were allotted to various clients of Patersons Securities Limited, the underwriter of the Rights Issue, which clients acted as sub-underwriters of the Rights Issue. The persons who were allotted the Underwriter Options were determined by Patersons Securities Limited.

No funds were raised by the issue of the 11,312,209 Underwriter Options.

### **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 7.

## **Resolution 8 – 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 three classes of Equity Securities, Shares, Unlisted Options and Unlisted Convertible Notes. It is expected that as at the date on which the Meeting is held, the Company will also have on issue Listed 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 138,356,402 Shares and therefore has a capacity to issue, subject to Shareholder approval being sought under Resolution 8, 13,835,640 Equity Securities under Listing Rule 7.1A. At the

date of this Notice, the Company has capacity to issue 4,394,389 Equity Securities under Listing Rule 7.1, which capacity is expected to increase to 11,312,209 Equity Securities as from 25 October 2012, following completion of the Rights Issue.

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 VWAP 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 8 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 8 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 will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities 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 8 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 Listed Options, Unlisted Options or Unlisted Convertible Notes, only if the Listed Options and Unlisted Options are exercised and the Unlisted Convertible Notes are converted). 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 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) three examples where variable "A" has increased, by 50%, 100% and by the exact number of Shares to be issued under the Rights Issue. 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		
		\$0.05 50% decrease in Issue Price	\$0.10 Issue Price	\$0.20 100% increase in Issue Price
<b>Current Variable A</b> 138,356,402 Shares	10% Voting Dilution	13,835,640 Shares	13,835,640 Shares	13,835,640 Shares
	Funds raised	\$691,782	\$1,383,564	\$2,767,128
<b>50% increase in current Variable A</b> 207,534,603 Shares	10% Voting Dilution	20,753,460 Shares	20,753,460 Shares	20,753,460 Shares
	Funds raised	\$1,037,673	\$2,075,346	\$4,150,692
<b>100% increase in current Variable A</b> 276,712,804 Shares	10% Voting Dilution	27,671,280 Shares	27,671,280 Shares	27,671,280 Shares
	Funds raised	\$1,383,564	\$2,767,128	\$5,534,256
<b>An increase of 46,118,801 Shares in current Variable A (being the number of Shares to be issued under the Rights Issue)</b> 184,475,203 Shares	10% Voting Dilution	18,447,520 Shares	18,447,520 Shares	18,447,520 Shares
	Funds raised	\$922,376	\$1,844,752	\$3,689,504

**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 Listed Options or Unlisted Options (including any Listed Options or Unlisted Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities.
- (iii) No Unlisted Convertible Notes (including Unlisted Convertible Notes issued under the 10% Placement Facility) are converted into Shares before the date of the issue of the Equity Securities.
- (iv) 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%.

- (v) 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.
  - (vi) 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.
  - (vii) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Listed Options, Unlisted Options or Unlisted Convertible Notes, it is assumed that those Listed Options and Unlisted Options are exercised, and the Unlisted Convertible Notes are converted, into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
  - (viii) The issue price is \$0.10, being the closing price of the Shares on ASX on 5 October 2012.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 8 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) 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; or
  - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), continued development of the Company's current assets and/or general working capital.

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:

- (iii) 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;
- (iv) the effect of the issue of the Equity Securities on the control of the Company;
- (v) the financial situation and solvency of the Company; and
- (vi) 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.

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 not previously obtained Shareholder approval under Listing Rule 7.1A.
- (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 8.

### **Resolution 9 – Ratification of appointment of auditor**

The Company's auditor, BDO Audit (NSW-VIC) Pty Ltd, has acted as the Company's auditors since 2009.

The directors of BDO Audit (NSW-VIC) Pty Ltd became partners in Grant Thornton effective 1 May 2012. BDO Audit (NSW-VIC) Pty Ltd ceased to have access to their audit methodology tools and their staff also became employees of Grant Thornton from 1 May 2012. These events represented exceptional circumstances. Accordingly, at that time BDO Audit (NSW-VIC) Pty Ltd resigned as auditor and the Directors resolved, after proper enquiries and receiving a consent to act as auditor, to appoint Grant Thornton Audit Pty Ltd as auditor of the Company.

In accordance with the Corporations Act, Grant Thornton Audit Pty Ltd hold the office of auditor until this Annual General Meeting and the Company must appoint or re-appoint a person, firm or audit company to fill the position of auditors of the Company at this Annual General Meeting.

A nomination has been received from a member of the Company to appoint Grant Thornton Audit Pty Ltd as auditor and a copy of that nomination accompanies this Notice as Schedule 2 to this Explanatory Statement.

**Board Recommendation**

The Directors unanimously recommend that members vote in favour of Resolution 9.

## GLOSSARY

In this Explanatory Statement:

**10% Placement Facility** has the meaning given in section 1 of the Explanatory Statement dealing with Resolution 8.

**10% Placement Period** has the meaning given in section 2(f) of the Explanatory Statement dealing with Resolution 8.

**Amending Deed** means a deed between the QVT Funds and the Company dated 26 April 2012 extending the maturity date definition applying to the Series I Convertible Notes.

**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).

**December 2011 Deed** means a deed between the QVT Funds and the Company dated 23 December 2011 relating to the issue of the 1,799 Series IV Convertible Notes.

**Default Rate** means 12% per annum.

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

**Explanatory Statement** means the Explanatory Statement 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.

**Listed Options** means all the Options to be issued as part of the Rights Issue, including the proposed 15,372,934 Underwriter Options.

**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 Statement.

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

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

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

**Related Party** has the meaning given in section 228 of the Corporations Act.

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

**Rights Issue** means the renounceable pro rata rights issue conducted by the Company pursuant to a prospectus dated 20 September 2012 under which approximately 46,118,801 Shares (and 23,059,401 attaching Options) were offered to eligible Shareholders on the basis of one new Share for every three existing Shares held at an issue price of 10 cents per new Share, with one attaching new Option for every two new Shares issued.

**Series I Convertible Note Deed** means the Convertible Note and Option Subscription Deed dated 24 December 2007 between the Company and the QVT Funds, as amended, including as amended by the March 2010 Conversion Notice, the Series III Convertible Note Deed and the Amending Deed.

**Series I Convertible Notes** means 12,000 unsecured convertible notes issued by the Company under and in accordance with the Series I Convertible Note Deed and which remain on issue at the date of this Notice.

**Series III Convertible Note Deed** means the Amendment and Issue Deed dated 23 April 2010 between the Company and the QVT Funds.

**Series III Convertible Notes** means 1,714 unsecured convertible notes issued by the Company to the QVT Funds under and in accordance with the Series III Convertible Note Deed.

**Series IIIB Convertible Note Deed** means the Subscription and Amendment Deed dated 16 November 2010 between the QVT Funds and the Company.

**Series IIIB Convertible Notes** means 4,275 Series IIIB Convertible Notes issued by the Company to the QVT Funds on 24 December 2010 under and in accordance with the Series IIIB Convertible Note Deed.

**Series IV Convertible Notes** means the 1,799 unsecured convertible notes to be issued by the Company to the QVT Funds under the December 2011 Deed.

**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.

**Underwriter** means Patersons Securities Limited ACN 008 896 311.

**Underwriter Options** means the 15,372,934 Options issued or to be issued to the Underwriter or its nominated sub-underwriters, in accordance with the terms of the Underwriting Agreement.

**Underwriting Agreement** means the agreement between the Company and Patersons Securities Limited dated 18 September 2012.

**Unlisted Convertible Notes** means the Series I Convertible Notes, Series III Convertible Notes, Series IIIB Convertible Notes and, when issued, the Series IV Convertible Notes.

**Unlisted Options** means the 11,250,000 Options on issue as at the date of this Notice.

**SCHEDULE 1 TO EXPLANATORY STATEMENT****Terms and conditions applying to each of the Underwriter Options**

- (a) Subject to and conditional upon any adjustment in accordance with the conditions set out below, each Underwriter Option entitles the holder to subscribe for one Share upon payment of the exercise price prior to the expiry date.
- (b) The Underwriter Options may be exercised at any time on or before 5.00 pm (Sydney time) on 31 October 2013 ("**Expiry Date**"). Underwriter Options not exercised by the Expiry Date lapse.
- (c) The exercise price of each Underwriter Option shall be \$0.14 ("**Exercise Price**").
- (d) The Underwriter Options may be exercised by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise specifying the number of Underwriter Options being exercised ("**Exercise Notice**"); and
  - (ii) a bank cheque in favour of the Company or electronic funds transfer for the Exercise Price for the number of Underwriter Options being exercised.

An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

- (e) Shares to be issued pursuant to the exercise of Underwriter Options will be issued within 10 business days following receipt of the Exercise Notice and the Exercise Price (in cleared funds) and will rank equally with the then issued Shares.
- (f) The Company will make an application to ASX for quotation of the Underwriter Options. If the ASX does not grant the Underwriter Options admission to official quotation, they will remain unlisted. Application will be made for quotation of the Shares issued upon exercise of Underwriter Options within 10 business days after the date of allotment of those Shares. The Underwriter Options are transferable.
- (g) The Underwriter Options confer on holders a right to a change in the Exercise Price, or a change to the number of Shares to be issued on exercise of the Underwriter Options, where there is a pro rata issue (except a bonus issue) to the Shareholders. In such circumstances, the Exercise Price of the Underwriter Options may be reduced according to the formula set out in Listing Rule 6.22.
- (h) If, from time to time, before the expiry of the Underwriter Options, the Company makes a pro rata issue of Shares to the Shareholders for no consideration, the number of Shares over which an Underwriter Option is exercisable will be increased by the number of Shares which the holder would have received if the Underwriter Option had been exercised before the date for calculating entitlements to the pro rata issue.
- (i) There are no participation rights or entitlements inherent in the Underwriter Options and holders will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the Underwriter Options. However, before the record date to determine entitlements to any such new issue of securities, the

Company will notify the holders of the Underwriter Options of the proposed new issue in accordance with the requirements of the Listing Rules.

- (j) In the event of a reconstruction (including consolidation, subdivision, reduction, or return of the issued capital of the Company), the rights of the holders of Underwriter Options shall be changed to the extent necessary to comply with the ASX Listing Rules.
- (k) Any calculations of a change in the Exercise Price or a change to the number of Shares to be issued on exercise of the Underwriter Options required under these terms and conditions will be made by the Company, notified to the holders of the Underwriter Options in writing and will be binding on the holders of the Underwriter Options.

## SCHEDULE 2 TO EXPLANATORY STATEMENT

### Notice of nomination of auditor

Notice of Nomination of Auditor  
TZ Limited  
ABN 26 073 979 272  
Date 8 October 2012

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#### **Appointment of auditors**

I wish to nominate Grant Thornton Audit Pty Ltd as auditor of TZ Limited at the forthcoming annual general meeting.

I request that a copy of this nomination is sent to all persons entitled to receive notice of the AGM and Grant Thornton Audit Pty Ltd.

Signed:



\_\_\_\_\_  
Mark Houston

8 October 2012

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Date