TZ Limited
ABN 26 073 979 272

23 December 2011

Lodged by ASX Online

The Manager
Company Announcements Office
ASX Ltd.
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

AGREEMENT TO ISSUE CONVERTIBLE NOTES

TZ Limited (the **"Company"**) announces that it has today entered into a Subscription Deed with QVT Fund LP and Quintessence Fund L.P. (collectively **"QVT"**) under which the Company has agreed to issue 1,799 senior unsecured convertible notes having a face value of $1,000 each (the **"Series IV Convertible Notes"**) to QVT. The Series IV Convertible Notes, which will have an aggregate face value of $1,799,000, are to be issued to QVT in consideration for QVT agreeing to waive the payment by the Company of all interest accruing in respect of the 2011 Calendar Year on all of the convertible notes currently held by QVT (the **"Interest"**).

The issue of the Series IV Convertible Notes is subject to the Company's shareholders approving the issue of the Series IV Convertible Notes for the purposes of ASX Listing Rule 7.1 (the **"Shareholder Approval"**). If the Shareholder Approval is not received by the Company by the date of the Company's annual general meeting for the financial year ending 30 June 2012 then either QVT or the Company may terminate the Subscription Deed, in which case the Interest (plus any interest on that interest) would become immediately due and payable by the Company to QVT.

The key terms of the Series IV Convertible Notes will be as follows:

- Interest will accrue on each Series IV Convertible Note from 1 January 2012 at 10% per annum, payable on 31 December each year.
- The Series IV Convertible Notes will be required to be repaid on the fifth anniversary of the date of their issue (the **"Maturity Date"**), unless converted into ordinary shares in the Company.
- The Series IV Convertible Notes will be convertible into fully paid Shares and the conversion price for each Series IV Convertible Note will be the lesser of: (i) $0.42; and (ii) the lowest price at which ordinary shares may be issued by the Company after the date of issue of the Series IV Convertible Notes.

- The Series IV Convertible Notes may be converted during the period commencing on the date of issue of the Series IV Convertible Notes up to and including the Maturity Date.

- If shareholder approval for the purposes of item 7 of section 611 of the Corporations Act (Cth) 2001 (**"Section 611 Approval"**) is required in order for the Company to be able to issue Shares to QVT upon conversion of the Series IV Convertible Notes then the Company must seek Section 611 Approval as soon as reasonable practicable after receipt of a conversion notice from QVT but in all cases no later than 60 days after receipt of the relevant conversion notice.

- The Series IV Convertible Notes will rank equally with all present and future senior unsecured liabilities of TZL.

Yours faithfully,
TZ LIMITED

Kenneth Ting
Executive Director / Company Secretary