

31 December 2012

Lodged by ASX Online

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

Dear Sir/Madam

INTEREST ON CONVERTIBLE NOTES

TZ Limited (the "**Company**") announces that it has agreed with QVT Fund LP and Quintessence Fund L.P. (the "**QVT Funds**") to issue new ordinary shares to the QVT Funds at a price of 14 cents per share in consideration for the QVT Funds waiving the payment by the Company of all interest accruing in respect of the 2012 calendar year on all of the convertible notes currently held by the QVT Funds.

The agreement with the QVT Funds is subject to the following conditions:

1. The parties entering into binding formal documents.
2. The Company obtaining any shareholder approvals that may be needed, including for the purposes of item 7 of section 611 of the Corporations Act and ASX Listing Rule 7.1.

The interest owing to the QVT Funds for the 2012 calendar year is \$1,978,800, which at 14 cents per share, will equate to 14,134,285 new shares to be issued to the QVT Funds.

The QVT Funds have also agreed that the conversion price of 35 cents applying to the series I convertible notes and series III convertible notes and the conversion price of 42 cents applying to the series IIIB convertible notes and the series IV convertible notes, will not be reduced by the new shares being issued at 14 cents.

The Company will make a further announcement regarding the proposed share issue once binding formal documents are entered into with the QVT Funds.

Yours faithfully,

TZ LIMITED

A handwritten signature in black ink, appearing to read 'Ken Ting', with a large, stylized flourish above the name.

Kenneth Ting
Executive Director and Company Secretary