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

Dear Shareholders

COMPANY UPDATE

With the recent announcement of the Rights Issue, I believe that it is important to provide some narrative to shareholders regarding TZ's operations and future plans.

The recent reorganization of the Board and my appointment as Managing Director signals a new direction for the Company. Mark Bouris, the Company's long standing Executive Chairman has retired from executive duties and has agreed to stay on as Non-Executive Chairman. Kenneth Ting has resigned as Executive Director. Paul Casey will retire as a Director at the upcoming AGM. Graham Lenzner has joined the Board as a Non-Executive Director. Together, Mark Bouris and Graham Lenzner provide extensive corporate management, fiscal and governance experience. As a result of these changes, we now have a more appropriately structured Board of a Managing Director and two Non-Executive Directors.

At the Senior Management level, we now have four Regional General Managers who have been appointed to run the four sales regions, namely Americas, Europe, Asia and ANZ. Each region has been established as P&L Business Units with financial discipline driven by our Chief Financial Officer, Craig Sowden. Furthermore, to increase our focus on strengthening our technology base, Adam Forsyth has been promoted to Chief Technology Officer with centralisation of Engineering, Software Development and Supply Chain respectively under experienced functional Managers. These organisational changes are designed to drive greater accountability, a focus on stronger governance and the implementation of Company-wide KPIs and performance metrics.

The last six (6) years have been focused on commercialising Smart Locking Device technology in two main sectors, Data Centre Cabinet Locking and Smart Lockers. The primary business directive has been revenue growth to establish market presence, create market awareness and to deliver a track record of application performance. To this end, the Company has successfully established itself as a leader in these two areas of participation with a credible retained customer base including Microsoft, Apple, Cisco, Singapore Post and Westpac.

Investment has been made to support growth ambitions including but not limited to transition to low cost, scalable device manufacturing ex-China, Asian sourcing and supply, standardisation of the IXP and PAD software platforms and system engineering designs.

The Company has underpinned its revenue growth through large volume tender based supply contracts with the likes of Singapore Post and a US Logistics Company, which has delivered a proven track record, however these commercial deals were secured at lower margins. While delivering the revenue growth, the scale of these projects, necessitated further investment in resources and product development to support implementation, therefore impacting on-going cash requirements and profitability.

Today, we have a sound product portfolio that serves our current areas of business participation and these sectors are growing. They are large and offer scope for further sales penetration. Although competition is increasing, we are seeing preference towards technology strong offerings and we believe this trend will continue. We however need to pursue new areas for participation particularly where licensing can open doors to new revenue streams and larger addressable markets. We are no longer just a Locker company.

I founded this Company with Dickory Rudduck, with the view that we could change industries and businesses through the concept of embedding intelligence at the fastener or locking device level. Our vision was to create the future of fastening and locking. Today, that vision is no less relevant than it was 18 years ago. The difference however, is that through the advancement and convergence of technologies, we are actually more capable of delivering this vision today than we were at the outset. The capital raising will support delivery of some key new technologies that can support our commercial entry into new sectors.

Our immediate goal however, is to deliver a positive EBITDA result this year. Achievement of this goal will confirm that real progress is being made.

The business today is heavily project based which means it is hard to forecast base line revenue. Cash flow is “lumpy” and difficult to predict in terms of project timings. The capital raising will help the Company navigate through these highs and lows of cash requirements. It will also promote a positive message to our customers that we are financially stable.

I appreciate that the recent annual results have disappointed shareholders. On behalf of the Board and the management team, we are committed to the challenge of building shareholder value and reinstating confidence in the Company.

Feel free to email me at j.wilson@tz.net for any questions you may have.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'J. Wilson'.

John Wilson
Managing Director