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

Dear Sir /Madam

Heads of Agreement for Establishment of TZ Incubator Investment Fund

TZ Limited (“**TZL**”, the “**Company**”) is pleased to advise that it has entered into a heads of agreement with established venture capital fund manager Terra Rossa Capital Pty Limited (“**Terra Rossa Capital**” or “**TRC**”) for the parties to work together to establish, manage and operate a proposed investment fund to invest in, monitor and support the commercialisation of early stage technology and information technology businesses (“**Incubator Investment Fund**”).

The proposed relationship with TRC, which remains subject to the successful negotiation and execution of legally binding documentation by the parties, is expected to provide a solid launch platform for the Incubator Investment Fund and to leverage TRC’s existing know-how, processes and access to established public and private funding and investor networks. The proposed fund will potentially be eligible to seek additional matching funding sources through programs such as the Australian Government’s Innovation Investment Fund.

By combining the investment know-how, structures and networks of Terra Rossa Capital with the design, prototyping and commercialisation expertise of TZ and its US based subsidiary, Product Development Technologies Inc. (“**PDT**”), the planned alliance intends to offer a fast track route to market for Australian intellectual property in a unique way.

“PDT is one of the leading fee-for-service product design firms in the world and over the years has developed a number of ‘blockbuster products’ which have gone on to generate significant revenue for its clients,” said Kenneth Ting, Executive Director of TZL. “To better leverage PDT’s unique position and create better value for TZL shareholders, TZL intends to establish an incubator fund to take an interest in new and relevant technologies and some of the products that PDT develops going forward. It is expected that the proposed fund will enable TZL shareholders to share in the success of certain of PDT’s customers in which the fund takes an interest and to enable TZL to access a wider range of new business opportunities from within Australia. The proposed fund’s interest may be in the form of royalties from the products that are developed and commercialised by PDT’s customers or an equity stake in our customer’s business.”

The Directors of TZL believe that the Company's ability to prove up concepts at an early stage with nominal investment and to leverage collective TZ Group capability and established US and European customer networks will ensure early validation of potential winners.

"This new venture adds an important ingredient that is often missing in early stage venture deals – deep commercialisation experience and a fast route to market," said Dr Jurgen Michaelis, Chairman of TRC. "TRC's expertise in managing and investing funds, from deal flow through to exit, coupled with TZL's proven development and commercialisation expertise, will offer a new product in the early stage venture market. The combined experience and capability across the parties should enable the proposed fund to target higher success rates and superior returns."

Under the terms of the heads of agreement, the parties have set out the process by which they will negotiate in good faith the structure, management and operation of the Incubator Investment Fund, together with the negotiation and potential execution by the parties of legally binding documentation for the establishment and operation of the Incubator Investment Fund, within the next 9 months. The parties have also agreed certain exclusivity and confidentiality arrangements surrounding those negotiations.

About TZ Limited

TZ Limited is an Australian public company listed on the Australian Stock Exchange (ASX: TZL). Through its two subsidiaries, Telezygology, Inc. and Product Development Technologies, Inc., TZ Limited employs over 130 professional resources deployed in 10 offices across five international locations, in businesses focused on technology commercialization and multi-disciplinary design and engineering services.

For additional information on TZ, please visit www.tz.net.

About Terra Rossa Capital Pty Limited

Terra Rossa Capital is an Adelaide based privately owned fund management company, established in 2006 by Dr. Jurgen Michaelis. TRC currently manages, under full delegation, the South Australian Life Sciences Advancement Fund which is supported by one of Australia's largest superannuation funds. Over the past years, TRC has screened more than 300 investment opportunities in the life science, diagnostics, medical devices, electronics fields within Australia and its international networks and has taken a hands-on approach to starting and growing businesses. TRC has invested in 11 early-stage and high growth businesses in Australia and the USA and has raised more than \$80 million in capital for the portfolio companies.

For additional information, please visit www.terrarossacapital.com.