

29 October 2010

Lodged by ASX Online

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

Dear Sir/Madam

TZ Limited - First Quarter Results and Shareholder Update

TZ Limited (the "**Company**") refers to the Appendix 4C Quarterly Report for the quarter ended 30 September 2010 lodged with ASX and is pleased to provide the following commentary on the results set out in that report, as well as additional information regarding the TZ Group's operations, for the benefit of the Company's shareholders and the market.

General Overview - TZ Group

Overall the TZ Group achieved a top line first quarter revenue of USD\$4.76 Million exceeding plan expectations by almost 16% with a net increase over plan of some USD\$674,000. Operating costs were also less than plan expectations for the period but some abnormal expenditure items have negated any positive bottom line variance from operations. Abnormal expenditure items include legal costs to support the recent QVT financing deal and higher than budgeted audit fees associated with the substantial work undertaken during the recent audit due to issues surrounding historical accounts of the Company. EBITDA results for the quarter are on plan expectations.

The results do however reflect some important progress:

- Product Development Technologies, Inc. ("**PDT**") continued to significantly exceed plan expectations in terms of top line revenue by some 121% of plan.
- Telezygology Inc. ("**TZI**") achieved 79% of its plan revenue target, limited only by timing of received orders and the ability of the business to ship product in line with such orders. There is a long lead-time that the business is currently experiencing for its electronic components due to general shortage in the industry. This issue contributed to TZI not reaching the revenue target for the quarter despite having purchase orders in hand. If orders booked within the quarter were able to be processed and delivered within the quarter, TZI would have significantly exceeded its revenue target at 120% of plan. Despite TZI falling short of its top line revenue target, the business did meet its bottom line operating targets.



"Although these are early days in terms of our re-building program, I am very pleased with our results for the quarter, underpinned by a strong performance by PDT. In addition, I am also pleased that our TZI business is demonstrating its ability to deliver its plan expectations," said Executive Chairman, Mark Bouris.

Overview on PDT Results

Strong sales from customers in the medical sector drove a very favourable and positive result for the quarter, with the business delivering above plan performance for the new fiscal quarter ending September 30, 2010.

PDT's revenue surpassed budgeted levels by 21% and delivered a consistent bottom line operating result of around 20% above plan. The quarterly revenue represented a 26% increase over revenue from the same period of the prior fiscal year.

"PDT is continuing to experience strong organic growth through secured business as a result of our continued targeted sales and marketing efforts in our three key vertical segments of healthcare, defense and consumer goods. We have a solid market position and we remain focused on leveraging our core strengths to take advantage of industry trends. By continuing to actively keep a pulse on technological, business and economic developments, I believe that PDT will be well positioned to continue this organic growth," said President and CEO of PDT, Mark Schwartz.

Overview on TZI Results and Operations

TZI achieved 79% of top-line revenue targets for the quarter. It should be noted that TZI had purchase orders in hand which it was unable to process and deliver due to inventory stock-outs (TZI's sales are recorded on dispatch of product against booked purchase orders). If orders booked within the quarter were able to be processed and delivered within the quarter, TZI would have significantly exceeded its revenue target at 120% of plan.

There is currently an abnormally long supply lead time of 12 to 14 weeks for our electronic components, which is a result of shortages in the industry. This shortage has caused some havoc with inventory management which has also been compounded by exceptionally strong IXP product sales.

Although building off a low base, IXP sales substantially exceeded expectations this quarter and the pipeline is continuing to build. Despite this great result, anticipated quarterly PAD sales did not come to fruition with several project timelines pushing out into late Q2 and into early 2011 due to delays from the time of initial commitment to receipt of final orders. Accordingly, the PAD business did not contribute much to the quarter's sales results.

Despite the slow roll-out, TZI has a substantially strong pipeline emerging for PAD with several major corporate opportunities. One of the current client proposals under consideration has the potential to exceed the fiscal year-end PAD target alone although this major multi-million dollar contract is in the early stages of engagement and its execution is therefore not certain.



The IXP business unit is performing exceptionally well with a number of specifications now coming through to order. In his July shareholders update, which is available on the Company's website (www.tz.net), TZI CEO John Wilson indicated that, with new budget cycles starting, TZI should see a solid pipeline of sales opportunities emerging and a significant increase in its installed client base.

TZI is pleased to report that this is happening.

"The addition of four new sales resources this month will substantially increase our US sales coverage, which we believe will significantly support sales generation in early 2011," John Wilson said.

TZI has also moved to engage senior European based business development resources and will be seeking an Australasian business development resource to support the developing local Australian opportunity pool.

TZI has also been active in expanding its focus geographically for both of its business units. For IXP, TZI has actively engaged with Anixter resources in Latin America, EMEA, Asia and Australia to drive a coordinated sales approach in the market. We are yet to see the impact of this effort with over 90% of the IXP pipeline still being generated out of the US. We are similarly progressing potential PAD opportunities with Pitney Bowes in Europe and Australia.

TZI continues to pursue sales opportunities in adjacent sectors such as healthcare, retail and gaming. Although not in a position to announce any concrete developments in these areas at the present time, we are actively engaged with potential early adopter partners which we hope will lead to more formalized relationships.

We also expect to finalize terms for the first implementation of our TZ Concierge™ product in early November 2010. This new deployment will mark the introduction of our system solutions into the large addressable market of high density residential condominiums. We have similar plans to explore new opportunities in delivering a similar offering to the hospitality market.

Aerospace Business Development:

In his shareholder update for August, which is available on the Company's website, John Wilson advised that TZI had compiled a complete package of aerospace and defence relevant TZ intelligent devices for presentation to prospective licensing partners and had reignited discussions with a number of prospects.

We are pleased to advise that TZI has formally engaged in discussions with a potential licensing partner and discussions are progressing albeit slowly. We hope to announce further progress on this towards the end of the year.



Intanova Business:

Work has progressed in starting to build our Intanova business and various elements of marketing collateral have been printed or will be printed later this month. The Intanova web-site is in the final stages of review and should be live before the end of the month.

An active program is currently underway to raise awareness of the business and the FutureWall™ System with various awareness campaigns targeted at the Architectural community. FutureWall™ Pavilion display offices have been installed at Iken's showrooms in Melbourne and Brisbane to support sales presentations.

* * * * *

“Earlier this year, I noted to our shareholders that to be successful, we would need to get closer to our targeted market segments and clearly communicate compelling value propositions that we can deliver to customers with problems that we can solve for them cost effectively. I am pleased to see our businesses are focusing and applying themselves diligently to the task of implementation and execution. Thanks go to Mark Schwartz, John Wilson and their respective teams for their committed efforts and I look forward to sustained performance for the half year,” concluded Mark Bouris.

TZ LIMITED

(ASX Code: TZL)