



ASX ANNOUNCEMENT

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Sydney – 30 October 2012 – Tag Pacific Limited (ASX: TAG)

At the outset, I would like to say that chairing a shareholder meeting is satisfying when you know that the year just passed was not only successful from a financial perspective, but was also successful in its outcomes.

The financial highlights were earning an after tax profit of \$4.3 million after non-controlling interests; generating robust and positive cash flows of \$6.9 million; and generating a further \$4.1 million in net cash from investment activities.

We also improved our balance sheet by significantly reducing both the assets and the liabilities; we increased total equity by about 14 % to \$36.9 million; at year end we held cash balances of \$17.8 million; and we brought down total Group borrowings to just \$5.1 million, so that we had no net debt at balance date. This is a healthy picture, but there's more to it than just the numbers.

We are also transforming ourselves. In a period of a little more than a year we sold our investment in health information technology; we sold our investment in technology consulting; we acquired all the minority shares in MPower; we completed the Integration Proposal; we bought back some of our own shares on market; we paid disproportionately large dividends to reward and return funds to shareholders; and we gave further rewards of free options to participate in Tag's upside in advance of the next stage of our journey.

At the beginning of the 2012 financial year, the Tag share price was 12 cents; since then we've paid out 5.75 cents in fully franked dividends and issued options free with a dilutive 20 cent exercise price. The recent share price is in the 26 to 28 cent range, so we're pleased with the headway. But there's a long way to go – both in what we need to do within our companies and what we need to do to have our successes properly recognised and appreciated by the investment community. By way of comparison, our post dividend asset backing is around 34 cents per share.

Let me explain briefly why we are in a unique position; and why we believe we have a uniquely attractive investment proposition.

As we all know, and by way of example, in recent years there have been dynamic changes in the world of IT, telecommunications and media. They were once all very large and separate industries, but they have rapidly converged to a point where nowadays it is sometimes difficult to differentiate between them. The technology of "power" is following

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the same path, but it is some way behind and many don't understand or even recognise the forces at work.

Our investment strategy in power to date has been to mould together strategic assets to generate diversified streams of income with common elements.

Our strategy is built on four pillars:

1. solar and energy efficient power systems;
2. power systems for the oil and gas sector;
3. commercial power systems; and
4. distribution and wholesaling activities in the power sector.

Within our key business MPower, we can today use our technology to initiate, innovate, design, engineer, project-manage, build, and service. We can generate power; we can store power; we can convert power; we can regulate power; we can monitor power; and we can back up power. If we have our way, we would also like to sell power.

It's clear that renewable energy is central to our future, but we believe our journey should be evolutionary rather than revolutionary.

I'll use the motor industry as an analogy. We all know that vehicle manufacturers are looking towards a future dominated by electric vehicles, but only a very few manufacturers with deep pockets are rushing in that direction. Rather, they are taking incremental steps to develop more commercially viable vehicles which are petrol-electric hybrids.

And so it is with us. Tag is not prepared to bet the house on the timetable and financial viability of pursuing renewable energy as a single purpose path for power generation. Unlike many others, however, we have the building blocks to actually power the power evolution.

Our unique position means we have the necessary skill, track record, financial capacity, and experience. Our unique proposition is that we are placed at the hub of what is increasingly the convergence of power systems brought about through technology and innovation.

Slowly but surely, we are seeing the different elements of what we do beginning to converge. Gas, diesel, solar, electronics and sophisticated MPower know-how are all fusing together to create unique hybrid power systems. This is emerging as our sweet spot.

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Let me give you some practical examples. A mining site that once relied on diesel can now have an efficient and seamless combination of solar and diesel; an outback town or other remote location can have the same system but also add power storage and remote monitoring modules to improve reliability; a new building can use gas generators for base-load power and throw off heating and cooling as a bi-product; a cluster of dwellings can have a storage and grid stability system installed between it and the electricity grid to deliver a range of benefits. The list of new innovation is long and the lines are blurring as the market calls out for carbon neutrality; for cost efficiency; and for reliable new technology.

As we push forward with our plans for both development of the business and for further investment, we are keeping a watchful eye on the general economic uncertainty which is impacting the day-to-day sales of our bread and butter distribution products; and a watchful eye also on the major downturn in the residential rooftop solar market. Residential rooftop solar is not the blueprint for our future, but it is a stepping-stone towards more sophisticated products and solutions.

Lower sales in these divisions year-to-date has meant that current performance is behind last year. While we are managing that on a day-to-day basis, we are looking far beyond; and as can be witnessed by recent major project wins, our pipeline is growing. Overall, we have an abundance of opportunity and MPower's reputation, breadth of capability, long history of growth and our strong financial position suggest that our future has the potential to be very bright.

Before we move to a more detailed presentation, I want to comment on the other main plank of our transformation and that is the rejuvenation and re-organisation of our deep pool of human talent. As you will have gleaned from earlier announcements and the annual report, we have made important changes to our management structure in recent months to coincide with the full integration of MPower into Tag.

We have brought youth, vitality and experience into the forefront of Tag's senior management; and within each operating business and across our group services, we have many skilled and devoted executives and managers. I introduced some of them at the start of the meeting.

Together, we are working hard to ensure that, as the various sectors of power converge, so too do the skills, capabilities and aspirations of all our executives, management and staff. We aim to up-skill and train wherever and whenever we can; we aim to strengthen management wherever we can; and we aim to instill innovation into all levels of the business wherever and whenever we can.



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To tell you more about this, I would now like to invite our CEO to present to you in more detail.

ENDS

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