



ASX ANNOUNCEMENT

TAG TO FULLY INTEGRATE MPOWER GROUP

- **Increased focus and investment in specialised power**
- **Tag to integrate MPower as a wholly owned subsidiary**
- **Agreement reached with founding MPower shareholder**
- **Shares on issue and capital to be expanded**
- **Fully franked cash dividend of 5.0 cps proposed**
- **Free loyalty options proposed**
- **Tag and MPower shareholder approval required**

Sydney – 9 July 2012 – Tag Pacific Limited (ASX: TAG) is today announcing a significant step towards increasing its focus and investment in specialised power.

Tag is offering to acquire all the shares in the MPower Group that it does not currently own, with the intention of the MPower Group becoming a 100% owned subsidiary of Tag (the '**Integration Proposal**'). To facilitate the Integration Proposal, Tag also proposes to issue free loyalty options and pay a fully franked cash dividend of 5.0 cents per share to Tag shareholders. Both the issue of options and the dividend are conditional on the successful completion of the Integration Proposal.

Tag currently holds approximately 59% of the MPower Group, with approximately 22% being held by interests associated with Mr Paul Sharp, the founder of M+H Power, the precursor to the MPower Group. The balance of MPower is held primarily by management.

Tag and Mr Sharp have now executed binding agreements for Tag to acquire the MPower shares held by Mr Sharp and his associated interests in exchange for the issue of new Tag shares. The agreements are conditional on a number of items, including Tag shareholder approval and all other MPower shareholders agreeing to the Integration Proposal.

Approximately 23 million new Tag shares will be issued to the MPower minority shareholders in exchange for their MPower shares. The Integration Proposal will expand Tag's capital base substantially, with incoming shareholders to hold approximately 24.5% of Tag's expanded capital.



A majority of the new Tag shares to be issued will be subject to voluntary escrow restrictions and in addition, Mr Sharp and his associated interests will grant pre-emptive rights over their Tag shares in favour of Tag.

For the purposes of the Integration Proposal, MPower has been valued at approximately \$22.8 million, based on its net asset value at 31 December 2011. MPower will pay a cash dividend totalling \$1.3 million to its shareholders (including Tag) prior to completion of the Integration Proposal.

Financial and other benefits

It is anticipated that the Integration Proposal will further align the interests of MPower management with that of the wider Tag group. The Integration Proposal will also provide Tag with greater access to cash flows from the underlying MPower businesses. This will further strengthen Tag's cash flow and should enhance its ability to pay dividends in the future.

Following completion of the Integration Proposal, Tag intends to form a combined Tag and MPower tax consolidated group which should enable the offset or partial offset of tax profits and losses within the consolidated tax group.

Capital initiatives

In order to facilitate the Integration Proposal, two capital management initiatives are being proposed in advance of the next chapter in Tag's development. The capital management initiatives are conditional on completion of the Integration Proposal.

The first proposed capital management initiative is a reward to Tag shareholders who have supported the company over the years, and will be the issue of free loyalty options to Tag shareholders on a 1:7 basis. The bonus options, to be issued for no consideration, will have an exercise price of \$0.20 and an expiry date 5 years after the issue date. Application will be made for the options to be listed on the ASX.

In the second capital management initiative, Tag intends to declare and pay a cash dividend of 5.0 cents per share to Tag shareholders. The dividend is to comprise a 1.0 cent per share ordinary dividend component in respect of the year to 30 June 2012 and a 4.0 cent per share special dividend component, both to be fully franked. The Tag Pacific Limited Dividend Reinvestment Plan will not operate in respect of the dividend.

The issue of free bonus options and the declaration and payment of a cash dividend are conditional on all the necessary approvals being obtained and Tag successfully acquiring all of the remaining shares in MPower Group that Tag does not already own. The MPower minority shareholders will not be eligible to participate in the two capital management initiatives.



Next steps

Formal agreements are being dispatched today to the minority shareholders holding the 19% of MPower shares not owned by Tag or Mr Sharp and his associated interests.

A further ASX announcement will be made in due course advising whether the remaining MPower minority shareholders accept the Integration Proposal. If the remaining MPower minority shareholders accept the Integration Proposal, further details of the proposed free loyalty options to be issued and the proposed Tag cash dividend of 5 cents per share will be made available.

A general meeting will then be held in August 2012 for Tag shareholders to approve the issue of the new Tag shares to the existing MPower shareholders.

An important component of the Integration Proposal is the future incentivisation of key MPower management and various alternatives are under consideration on how best to put this into effect.

The proposed acquisition of 100% of the MPower Group and the associated capital changes represent a solid next step in the evolution of the Tag Group and reinforces Tag's commitment to developing its increasingly focussed investment horizon.

ENDS

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