

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Sydney – 30 November 2015 – Tag Pacific Limited (ASX: TAG)

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I would like to begin by saying, as has already been said in the Annual Report, that the headline result for the 2015 financial year was clearly disappointing. The reasons for that have already been well articulated and I don't intend to dwell on them today, except to reinforce the point that a very substantial portion of the negative result was attributed to non-cash, non-recurring accounting charges and also to restructuring and exit costs.

The group maintained its year-on-year revenue whilst at the same time navigating through a variety of activities that are potentially company transforming. For example, solar and renewable activities are now focussed on large scale solar and energy storage projects rather than small scale rooftop solar.

What is of greater importance today is how MPower has progressed since then; where it stands today; and what the future looks like.

In the four months to the end of October, unaudited group revenue has come in at \$17.5 million, which is about 3% ahead of the same period last year. This is encouraging as last year's revenue includes some activities that have since ceased. MPower's margins continue to be squeezed and adverse currency movements have been a factor, but on the flip side operating expenses are considerably lower. Although the MPower's revenue trend is positive the EBITDA of the distribution business is still negative and is likely to continue that way for a while longer until the effects of new initiatives take hold.

The initiatives for the distribution activities include new product launches; the streamlining and optimising of supply lines; refreshing branding and marketing collateral; upgrading manual processes with the use of technology; and optimising inventory levels and distribution patterns. MPower Products is also looking at a handful of opportunities that would each make a substantial difference to the scale of MPower's distribution activities if we can bring them to conclusion.

Core distribution areas such as batteries and solar components are margin challenged but are holding up relatively well. Emergency lighting is being consolidated under the well known Bardic brand which we now have long term rights over.

On the MPower Projects side of the business, revenue for the first four months is up by about 37% on the same period last year, although it should be noted that by its very nature the project business has lumpy characteristics which means that the ability to release profits from contracts often occurs towards the end of the project. The year to date performance is about line ball with last year, but should end better if all goes to plan.

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ASX ANNOUNCEMENT (continued)

The most substantial project on the books is the \$14 million solar farm in Samoa, which marks a significant milestone in the evolution of MPower Projects. The expertise and knowledge gained from involvement in projects such as this is considered to be invaluable. So far the Samoa project is on track and is expected to be a significant contributor to performance in the current financial year.

In general terms the forward pipeline of committed project work for the remainder of this financial year is quite strong. That augurs well and if the company can secure its fair share of the work in its bid pipeline, then that will be even better still. Interestingly, the mix of work both on-hand and in the bid pipeline is increasingly dominated by specialist work in the company's sweet spot - renewable energy, hybrid power and energy storage. That is a major change from just a year or two ago.

The key to future scalability lies in part in the ability to develop solutions which are designed once and used in multiple situations. In this regard, MPower Projects recently completed a ground-breaking solar and energy storage project of a commercial scale in a remote Western Australia location. The costs of developing the solution and overcoming numerous hurdles have been expensed not capitalised and have therefore impacted current performance, with the benefits hopefully to come in later periods. I am pleased to say that the project has been completed and is operating successfully.

Looking forward we envisage that it will still take some time for the distribution activities to adjust and fully recover from the troughs it has experienced, although New Zealand is already ahead of Australia in this regard. With projects, there is already enough in the bag to deliver a better outcome than in 2015, but the real trick is to build the growth curve for years to come.

At the parent company level we are maintaining an overarching investment focus which is costly but necessary and this together with the restructuring costs and losses that were incurred in the 2015 financial year and in earlier periods have taken their toll on cash and the balance sheet. Whilst the group has no long term debt other than against a partly owned property, there is a need to raise further capital to meet the ongoing working capital requirements of the company, including funding the continued development of the company's investments.

We have therefore today announced an 11 for 20 non-renounceable rights issue at a price of 4.0 cents per share to raise a maximum of approximately \$2.1 million. The offer document has been lodged with the ASX today and the offer is open for acceptance until 18 December 2015.



ASX ANNOUNCEMENT (continued)

I have advised the Board that to demonstrate our own confidence in the company, Anthony Australia Pty Ltd (which is a company that both Nathan Wise and I are directors of) will take up its entitlement in full, amounting to some \$773,000.

Notwithstanding some of the short term hurdles and challenges, Tag sees its investment in MPower as taking a strategic position at the hub of evolving changes to the way power is generated, sourced, stored and distributed.

Like any investment where the aspiration is for a new, exciting and farsighted path, one has to balance the old with the new; the known with the unknown; and the risks with the rewards. The way ahead is evolving to be clearer; the road has had a few more potholes than anyone would have liked; and there may well be a few more on the road ahead; but MPower has a good team, a strong resolve and is working hard to be a leader in its field.

ENDS

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ABOUT

Tag Pacific Limited is a Sydney-based investment house listed on the Australian Securities Exchange with a focus on niche areas of the power industry. Tag has invested in a diverse range of companies and activities that have been brought together primarily to operate under the banner of MPower. The company's mission is to invest in the power industry in a manner that creates and enhances value and achieves above average returns.