



ASX ANNOUNCEMENT

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Sydney – 14 September 2012 – Tag Pacific Limited (ASX: TAG) – General Meeting

Welcome and thank you for attending this very important meeting of Tag Pacific.

The purpose of today's meeting is to consider a single resolution approving the issue of new Tag shares. If the resolution is passed, the number of Tag shares on issue will increase from approximately 70.7 million to 93.6 million. The resolution and notes explaining it are detailed in the Notice of General Meeting which was despatched to shareholders in August. I will take the Notice of Meeting as read.

Before we go to the vote, I would like to say a few words in support of the resolution and explain its importance.

Tag intends to remain a strategic investment company, but we have narrowed our focus to the power industry where we have developed significant expertise and assets. That is why in July this year we announced what we called the 'Integration Proposal' for Tag to acquire the 40.7% of MPower that we do not already own.

Today's resolution, if passed, will complete one of the final steps of our integration with MPower and help launch Tag into a new era in an exciting growth industry.

Over the past year or two, we have strengthened our balance sheet and cash reserves by selling our interior building products business, our health information technology investment, and our interest in technology consulting.

MPower has evolved into Tag's largest investment. Tag's strategy to date has been to mould together strategic assets in the power sector to generate diversified streams of income with common binding elements centred on four basic pillars – solar power systems; power systems for the oil & gas sector; commercial power systems; and distribution / wholesaling activities. Our strategy now is to build on that base.



MPOWER provides a diverse range of power solutions and products to customers in sectors ranging from green energy, domestic, commercial, oil & gas, industrial, utilities, defence and mining. MPOWER solutions include power generation, power storage, backup power and power conversion.

Implementation of the Integration Proposal will further align the interests of MPOWER management with that of the wider Tag Group. It will enable management to further streamline operations and will also facilitate greater access to cash flows from the underlying MPOWER businesses for the wider good of all shareholders.

On completion, we intend 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. This will further strengthen Tag's cash flow and should enhance our ability to pay dividends in the future.

Tag currently holds approximately 59.3% of MPOWER, with the balance held by a number of minority shareholders who are in the main members of the MPOWER management team. If the resolution is approved and all other conditions to the Integration Proposal have been met or waived, we will be issuing approximately 23 million new Tag shares in exchange for the 40.7% of MPOWER that we don't already own. MPOWER will then be 100% owned by Tag and the newly issued Tag shares will amount to approximately 24.5% of Tag's expanded capital.

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. The 40.7% of MPOWER we are proposing to acquire will cost us \$8.7 million, after an MPOWER dividend totalling approximately \$1.3 million is paid to its shareholders, including Tag. The new Tag shares will be issued at 38.1 cents per share, after adjusting for the effects of the proposed capital management initiatives.

A majority of the new Tag shares to be issued will be subject to voluntary escrow restrictions and in addition, the largest MPOWER shareholder and his associated interests have granted pre-emptive rights over their Tag shares in favour of Tag. As previously announced, all MPOWER shareholders have given their approval to the Integration Proposal.

If the resolution is approved and all other conditions to the Integration Proposal have been met or waived, two capital management initiatives designed to reward Tag shareholders who have supported the company over the years will be activated.



Firstly, there will be a bonus issue of free loyalty options to Tag shareholders on a 1:7 basis. The options, to be listed on the ASX, will have a 20 cent exercise price with a 5 year term. Secondly a fully franked cash dividend of 5.0 cents per share will be declared, comprising a 1.0 cent ordinary dividend component in respect of the year to 30 June 2012 and a 4.0 cent special dividend component. The Tag Pacific Limited Dividend Reinvestment Plan will not operate in respect of the dividend.

We expect to be able to update shareholders on the status of all conditions to the Integration Proposal early next week and confirm the timetable for the capital management initiatives.

I now open up the meeting for discussion.

ENDS

For further information please contact:

Peter Wise
Chairman
Tag Pacific Limited
T: +61 2 8275 6000

Nathan Wise
Chief Executive Officer
Tag Pacific Limited
T: +61 2 8275 6000

www.tagpac.com
www.mpower.com.au