

MARKET UPDATE

Sydney – 20 December 2012 – Tag Pacific Limited (ASX: TAG) today provided an update on progress with the recent integration of its now wholly owned power subsidiary, MPower, and on its current trading experience.

The company noted at its AGM in late October that plans for development of the business and for further investments were being hampered by general economic conditions. The day-to-day sales of MPower's core distribution products have continued to be impacted since that time, including an industry-wide downturn in the residential rooftop solar market.

The company is gearing up its human resource base to ensure delivery of the two recently awarded Inpex Ichthys contracts – worth up to approximately \$20 million combined – and has also incurred one-off integration costs associated with MPower. It is likely that a loss will be reported in the company's first post-integration half-year result, scheduled to be released in late February 2013.

However, the current trading environment is being offset by a number of positive factors which indicate that the outlook for the second half of the 2013 financial year is more positive.

Cost savings and sales increases in the pipeline

The organisational and management structure of the integrated group has been refined to reduce operational expenditure and increase sales of MPower's diverse range of power solutions and products. This has resulted in a reduction in staff numbers in some less productive areas, offsetting recruitments in operations where the prospects are more buoyant.

Project growth expected to continue

The financial benefits flowing from the two Inpex Ichthys projects will start to be seen from the second half of 2013. When combined with other pending, large-scale contracts – totaling approximately \$10 million – and initiatives under negotiation, it is likely that the project order book will hit record levels by the end of the third quarter.

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ASX ANNOUNCEMENT (continued)

Distribution capabilities being expanded

A strategic alliance has been formed with Pramac, a world-class European generator manufacturer, for MPower to market Pramac's range throughout Australia, New Zealand, PNG and the Pacific Islands. This will build on MPower's expertise and reputation for supplying reliable and dependable power systems, and will form the basis of an expansion of its standby and portable generator activities.

Pramac's existing activities in this region are being transitioned to MPower. The exclusive alliance will commence in January, and is expected to add to profitability after an initial lead-in period.

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