

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Sydney – 31 October 2013 – Tag Pacific Limited (ASX: TAG)

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As you know, Tag underwent a substantial capital and management transformation during the 2013 financial year as we moved to strategically focus our investments on power. MPower became a wholly owned subsidiary; new shares were issued; major dividends were paid; and shareholders were issued with bonus listed options.

We had predicted that the 2013 year was going to be tough as the solar market struggled to find a direction; as general economic conditions hampered the day-to-day sales of core distribution products; and as we transitioned from the tail end of major oil and gas projects into upcoming new projects.

However we can say that despite these obstacles we made considerable progress. In overall terms, 2013 was a successful year.

The Chairman's Report detailed how the second half improved over the first half and it also telegraphed our expectation that this trend would continue. We have now completed the first quarter of the new financial year and I am pleased to report that on a like-for-like basis, revenue is up by approximately 5% on the same period last year. There has been some slight margin erosion but this has been more than compensated for by a marked reduction in costs.

Overall the EBITDA for the first quarter shows an improvement in the order of half a million on the same period last year. It's also an improvement on the last quarter of 2013. In general terms, this can be attributed to the cost benefits that have arisen from implementation of the integration plan which is beginning to bear fruit. We anticipate continuing improvement; although I need to note that changing trends in some areas of our business make forecasting very difficult. We do hope, however, that if all goes to plan we will be in a position to pay a franked dividend in respect of the current financial year.

Since balance date we have continued to manage the balance sheet prudently. Total assets are fairly consistent at around \$53 million and we have maintained healthy cash balances across the Group. We continue to operate without any net debt, which in turn provides us with the potential to expand beyond our current endeavours when we are ready.

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ASX ANNOUNCEMENT (continued)

Our strategy is to build on MPower's already strong foundation. MPower's business is based on the aggregation of strategic assets in the power sector that have been accumulated over time. It is centred on four basic pillars – solar power systems; power systems for the oil and gas sector; commercial power systems; and distribution/wholesaling activities – and these are all converging with the overall evolution of the power sector and the advent of new technologies.

What has become more evident since we gained full control of MPower is the latent potential. This has reinforced our belief that considerable potential for expansion will arise from the refinement of the MPower businesses into an integrated enterprise. Our focus has been on unifying operations across the Group to enable greater collaboration and communication across the various operating units.

By way of example, we have taken time and care and to enhance group-wide HR and employment policies; we are flattening and rejuvenating our organisation chart; we are investing in the best Health & Safety practices; we are upgrading our group-wide IT infrastructure onto a single common platform; and we are investing in improved supply chain processes and logistics.

As I said in my Chairman's Report these actions are impacting short term profitability, but we believe that these actions are important to strategically position the company for better things to come.

The Investor Presentation will also touch on some of the challenges and opportunities we face across the Group. For example, given that we are supposedly heralding an era of clean energy, the solar power sector should be developing in leaps and bounds. We are confident that this will happen in due course, but with inconsistent government policies and market instability, the reality is that at this moment in time there is a gap between the aspirations by Australians for renewable energy on the one hand; and the ability for us to profit from those solutions on the other.

That's why we are deliberately focusing our solar offerings on off-grid and commercial solar where we can take advantage of our unique capabilities as well as our excellence in project management and our technical skills across a number of power sectors. It should be evident to any observer that unlike the majority of players in the renewable energy sector, our success in both sophisticated oil and gas projects and energy efficient power systems puts us in a very unique position.

MPower is applying its skill and sophistication in the emerging areas of energy storage, demand management and distributed power. The focus is on power convergence and on projects and opportunities such as solar diesel hybrid systems which draw on the diverse



ASX ANNOUNCEMENT (continued)

strengths of the Group to offer holistic solutions. If you think about it, our diversification brings in expertise in batteries; in back-up and emergency systems; in power generation; in renewable energy and a variety of other specialisations which all can work together and complement each other if our platform is right.

We have reported already on how the organisation structure is constantly evolving and as we strive for greater efficiency and sharing of resources, this has resulted in a number of personnel changes at several levels across the Group. Total staff numbers have remained constant since balance date with reductions continuing in areas of weakness; and increasing in areas that show more promise. I do at this point want to thank the team for all that they are doing to enhance the value of the company. It's not easy to transition from being a series of discrete and independent businesses into a unified group where the cross-pollination of resources and skills is designed to lead us into new and exciting fields of endeavour.

Finally, before I ask our CEO to elaborate in more detail, I just want to say that Tag is exceptionally well positioned to take advantage of the changes that are bound to occur in the power sector in years to come. Our capacity to manage power demand and seamlessly integrate newer and cleaner sources of power with more traditional sources are evolving niche capabilities that all feed into the potential for economic energy storage.

Notwithstanding some of the short term challenges, we are confident that we are on the correct path. We are also confident that the deliberate and sure-footed approach we are taking to correctly position our base business and strengthen our capabilities will stand us in good stead. In the fullness of time our investment competency and our appetite for new power investments will take us beyond the current MPower horizon. To do that we will draw on both what we have already built and on the strength of our balance sheet; because in truth, our aspiration is to be much more fully invested than we are at the moment.

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ASX ANNOUNCEMENT (continued)

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.