TAG PACIFIC LIMITED

ACN 009 485 625

Notice of Extraordinary General Meeting and Explanatory Memorandum

For a meeting to be held on
Tuesday, 25 September 2018 at 10:00am at
Computershare, Level 4, 60 Carrington Street,
Sydney, New South Wales

An Independent Expert's Report accompanies this document. In the opinion of the Independent Expert, the issue of the Acquisition Shares to Carnegie Clean Energy Limited to be considered in Resolution 1 at the meeting is fair and reasonable.

THIS IS AN IMPORTANT DOCUMENT AND SHOULD BE READ IN ITS ENTIRETY

If you do not understand any part of this document please contact a professional adviser immediately

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Important Notices

Important information

The Notice of Meeting and accompanying Explanatory Memorandum have been prepared for the information of the shareholders of Tag Pacific Limited (the '**Company**') in connection with the business to be conducted at the Extraordinary General Meeting of the Company to be held at 10:00am (Sydney time) on Tuesday, 25 September 2018 at Computershare, Level 4, 60 Carrington Street, Sydney, NSW 2000.

The purpose of the Explanatory Memorandum is to provide information that the Directors believe to be material to shareholders in deciding whether or not to pass the resolutions set out in the Notice.

Expert's report

The Explanatory Memorandum is accompanied by an independent expert's report prepared by HLB Mann Judd Corporate (NSW) Pty Ltd, reporting on the proposed acquisition by Carnegie of 58,507,377 Shares in the Company. The Independent Expert's Report concludes that the acquisition is fair and reasonable to the Non Associated Shareholders.

You should read this document carefully

The Notice, Explanatory Memorandum and the Independent Expert's Report are important. You should read each document in its entirety before deciding how to vote on the resolutions at the Meeting. If you are in doubt as to what you should do, you should consult your financial, legal or other professional adviser.

No investment advice

The Notice and Explanatory Memorandum do not constitute financial product advice and do not purport to contain all the information that a prospective investor may require in evaluating a possible investment in the Company. The Notice and the Explanatory Memorandum have been prepared without taking account of any person's particular investment objectives, financial situation or needs.

Responsibility statement

Except as expressly set out below, the Notice and the Explanatory Memorandum (except for the Independent Expert's Report and the Carnegie Information) have been prepared by the Company and are its responsibility alone.

The Company does not assume responsibility for the accuracy and completeness of the Independent Expert's Report, except to the extent any inaccuracy or incompleteness in that document arises directly from the inaccuracy or incompleteness of information given to the Independent Expert by or on behalf of the Company.

Except as expressly set out below, neither Carnegie nor any related body corporate, employee, director or officer of Carnegie, nor their respective agents or advisers (each a '**Carnegie Party**') have authorised or caused the issue, submission, despatch or provision of the Explanatory Memorandum, Notice or Independent Expert's Report, and, except as expressly set out below, no Carnegie Party makes or purports to make any statement in the Explanatory Memorandum and there is no statement in the Explanatory Memorandum which is based on any statement or information provided by any of them.

Carnegie has provided and is responsible for the Carnegie Information contained in the Explanatory Memorandum.

Other than in respect of the Carnegie Information, in which case responsibility for the accuracy and completeness thereof is limited to Carnegie, and to the maximum extent permitted by law, no Carnegie Party has any responsibility for, nor accepts any liability for, any loss arising from the use of the Explanatory Memorandum (including the Carnegie Information), Notice or Independent Expert's Report or its contents or otherwise arising in connection with it, including, without limitation, any liability arising from fault or negligence on their part.

To the maximum extent permitted by law, neither the Company nor any related body corporate, employee, director or officer of the Company, nor their respective agents or advisers, has any responsibility for the accuracy or completeness of the Carnegie Information.

Disclosures regarding forward looking matters

The Explanatory Memorandum contains certain forward looking statements. Forward looking statements can generally be identified by the use of forward looking words such as ‘anticipate’, ‘believe’, ‘expect’, ‘project’, ‘forecast’, ‘estimate’, ‘likely’, ‘intend’, ‘should’, ‘will’, ‘could’, ‘may’, ‘target’, ‘plan’ and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance on outlook or performance are also forward looking statements. The forward looking statements contained in the Explanatory Memorandum involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of the Company, and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not differ materially from these forward looking statements.

Role of ASIC and ASX

Copies of the Notice and Explanatory Memorandum have been lodged with ASIC for the purposes of paragraph 74.62 of ASIC Regulatory Guide 74. Neither ASIC nor any of its officers take any responsibility for the contents of the Notice and Explanatory Memorandum.

Copies of the Notice and Explanatory Memorandum have been lodged with ASX for the purposes of Listing Rule 15.1. Neither ASX nor any of its officers take any responsibility for the contents of the Notice and the Explanatory Memorandum.

Glossary

Unless otherwise defined in this document, capitalised terms have the meaning set out in the Glossary at the end of the Explanatory Memorandum.

TAG PACIFIC LIMITED
ACN 009 485 625

Notice of Extraordinary General Meeting

Notice is given that an Extraordinary General Meeting of members of Tag Pacific Limited ('**Company**') will be held at Computershare, Level 4, 60 Carrington Street, Sydney, New South Wales at 10:00am (Sydney time) on Tuesday, 25 September 2018.

The business to be considered at the Extraordinary General Meeting is set out below. Information on the proposals to which the business relates is set out in the Explanatory Memorandum which accompanies this Notice. This Notice should be read in conjunction with the accompanying Explanatory Memorandum.

Agenda

Conditional Resolutions

Resolution 2 is inter-conditional on Resolution 1 being passed. If Resolution 1 is not passed, then Resolution 2 will not be taken to have been passed.

Resolution 1 is not inter-conditional on Resolution 2 being passed. If Resolution 1 is passed and Resolution 2 is not passed, then Resolution 1 will still be taken to have been passed.

Resolution 1 – Approval of issue of shares to Carnegie Clean Energy Limited

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) ('**Act**') and for all other purposes, approval is given for:*

*(a) the Company to issue 58,507,377 fully paid ordinary shares in the Company ('**Shares**') to Carnegie Clean Energy Limited ACN 009 237 736 ('**Carnegie**') on completion of the acquisition by the Company of all shares in EMC Co Pty Ltd; and*

(b) the acquisition by Carnegie of a relevant interest in the issued voting shares of the Company otherwise prohibited by section 606(1) of the Act, by virtue of the issue of the Shares referred to in paragraph (a),

with a resulting increase in the voting power of Carnegie and its associates in the Company from 0% (as at the date of the notice of meeting convening this meeting) to a maximum of 37.04%."

Voting Exclusion: The Company will disregard any votes cast in favour of this resolution by Carnegie Clean Energy Limited and any of its associates.

A report on the proposed acquisition of the 58,507,377 Shares by Carnegie Clean Energy Limited from an independent expert (HLB Mann Judd Corporate (NSW) Pty Ltd) accompanies this Notice. The report concludes, in the independent expert's opinion, that the acquisition is fair and reasonable to the Non Associated Shareholders.

Resolution 2 – Approval of change of Company's name

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, subject to Resolution 1 being passed and completion of the Company's purchase of all the shares in EMC Co Pty Ltd having occurred, the Company's name be changed to MPower Group Limited, with effect from the day on which the Australian Securities and Investments Commission alters the details of the Company's registration."

Additional information

This notice of meeting is accompanied by an Explanatory Memorandum which provides an explanation of the business of the meeting, including the proposed resolutions.

Voting entitlement

The board of directors of Tag Pacific Limited has determined in accordance with regulation 7.11.37 of the Corporations Regulations that for the purpose of voting at the Extraordinary General Meeting, shares will be taken to be held by those who hold them at 7:00pm (Sydney time) on 23 September 2018. This means that if you are not the registered holder of a relevant share at the time, you will not be entitled to vote in respect of that share.

Voting by proxy

Each shareholder who is entitled to attend and vote at the Extraordinary General Meeting may appoint a proxy to attend and vote on behalf of that shareholder. The proxy need not be a shareholder. Please note that a proxyholder cannot vote on a show of hands but can speak at the meeting and can vote on a poll.

A shareholder who is entitled to cast two or more votes may appoint one or two proxies and may specify the proportion or number of votes that each proxy is appointed to exercise. If a shareholder appoints two proxies and the appointment does not specify the proportion, or number, of shareholder's votes, each proxy may exercise half the votes (disregarding fractions). Neither proxy may vote on a show of hands.

In the event that a shareholder appoints a proxy and specifies the way the proxy is to vote on a particular resolution:

→ where the proxy is not the Chairman:
  (a) the proxy need not vote on a poll but if the proxy does so then the proxy must vote the way that the shareholder specifies; and
  (b) if a poll is demanded and the proxy does not attend or vote, then the Chairman is taken to have been appointed as the proxy; and

→ where the Chairman is the proxy (including where the Chairman is taken to have been appointed the proxy as set out above) the proxy must vote on a poll and must vote the way that the shareholder specifies.

A proxy appointment form is enclosed with this notice of meeting. For the appointment of a proxy to be effective for a meeting, the following documents must be received by 10:00am on 23 September 2018:

(a) the proxy's appointment; and
(b) if the appointment is signed by the appointer's attorney – the authority under which the appointment was signed or a certified copy of the authority.

Impact of your proxy appointment on your voting instructions

If you appoint the Chairman of the Meeting as your proxy and have not directed him how to vote, you are authorising the Chairman of the Meeting to cast your undirected vote on all proposed resolutions in accordance with his intentions set out below.

The Chairman's voting intentions

The Chairman of the Meeting intends to vote undirected proxies on, and in favour of, all the proposed resolutions. If there is a change to how the Chairman of the Meeting intends to vote undirected proxies, the Company will make an announcement to the ASX.

The Chairman's decision on the validity of a vote cast by a proxy or vote cast in person, is conclusive.

Proxies may be lodged:

By Mail	Tag Pacific Limited GPO Box 4032, Sydney NSW 2001 Australia
By Fax	+ 61 2 8275 6060
By Email	info@tagpac.com
In Person	Tag Pacific Limited Suite 3204, Level 32, Australia Square 264 George Street, Sydney NSW 2000 Australia

If posting, please allow sufficient time for your form to be received by 10:00am on 23 September 2018.

Corporate representatives

A body corporate may appoint an individual as a representative to exercise all or any of the powers the body corporate may exercise at meetings of shareholders. The appointment may be a standing one. Unless otherwise specified in the appointment, the representative may exercise, on the body corporate's behalf, all of the powers that the body corporate could exercise at a meeting or in voting on a resolution. A copy of the properly signed appointment document must be produced prior to admission to the Meeting.

By order of the board of directors
of Tag Pacific Limited

Darrell Godin
Company Secretary
24 August 2018

TAG PACIFIC LIMITED
ACN 009 485 625

Extraordinary General Meeting Explanatory Memorandum

The information in this Explanatory Memorandum is provided to Shareholders of Tag Pacific Limited in compliance with the Corporations Act, the Listing Rules and Tag Pacific's constitution.

This Explanatory Memorandum is despatched with and forms part of the notice of the Company's extraordinary general meeting to be held on Tuesday, 25 September 2018 at 10:00am (Sydney time) at Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000.

All Shareholders should read this Explanatory Memorandum in full. Shareholders should obtain professional advice before making any decisions in relation to the resolutions to be put to Shareholders at the Meeting.

Key points summary

Business of the Meeting	Resolution 1: A proposal that the Company issue 58,507,377 new Shares to Carnegie in consideration for the Company acquiring all of the shares in EMC Co Pty Ltd (the '**Proposal**'). Resolution 2: Change of name of the Company.
Reasons to vote <u>in</u> <u>favour</u> of the Proposal involving Carnegie (Resolution 1)	✓ The Proposal represents a significant investment opportunity for the Company to enable the Group to become a leading specialist microgrid business in Australia, New Zealand and the Pacific Islands. ✓ The project activities of the Group's power activities have historically operated from the east coast of Australia. The EMC Business operates from the west coast of Australia. By integrating the EMC Business into the Group, the Proposal will enable the Group to have an enhanced national reach in the renewables, battery storage and microgrid sector. ✓ The Proposal is expected to improve the financial performance of the Group once the EMC Business has been able to be fully integrated into the Group. ✓ As there is very little overlap between the prospects for new projects of the Group when compared to the prospects for new projects of the EMC Business, the net prospects for new projects of the combined businesses are expected to increase as a result of the Proposal. ✓ The Proposal is expected to result in a greater liquidity on the ASX for Tag's Shares given that the number of Tag Shareholders will greatly increase as a result of the Proposal. ✓ The increased number of Shareholders in Tag that will result from the Proposal is expected to assist the Company to be able to raise capital should the Company have a need in the future to raise further capital. ✓ The EMC Business employs a number of talented employees with expertise in the renewable energy sector which will enhance the Group's capability. ✓ The Tag Board will be bolstered by the addition of two experienced non-executive directors, being Mr Mark Woodall and Dr Michael Ottaviano. Mr Woodall is a leader in the development and financing of renewable energy and clean technologies, with nearly 25 years' experience in those areas. Dr Ottaviano joined Carnegie in January 2006 and became managing director of Carnegie in March 2007, which position he continues to hold and is a former board member of Clean Energy Council and a member of the Australian Government's Energy White Paper Consultation Committee. ✓ The Independent Expert has concluded that the Proposal is fair and reasonable to the Non Associated Shareholders (i.e. Shareholders other than Carnegie). (See '*Directors' Recommendations*' below and the Independent Expert's Report for further details on the advantages of the Proposal.)

Reasons to vote <u>against</u> the Proposal involving Carnegie (Resolution 1)	⊗ Under the Proposal, the interest of the EMC Business in three partly completed projects will be taken over by the Group. There are project financial risks for the Group if the costs and revenues of each project to be taken over have not been properly estimated or the contractual terms attaching to the projects are unduly onerous. ⊗ As well as the financial risks of the three partly completed projects, the Group will incur unanticipated liabilities if technical or commercial issues arise with respect to the projects or the power systems being built as part of the projects have not been properly designed. All such liabilities, other than design related liabilities, relating to the period up until completion of the Acquisition remain the liability of Carnegie. All liabilities associated with the design of the power systems whenever arising and all other liabilities relating to the period from completion of the Acquisition are assumed by EMC Co and therefore become the responsibility of the Tag Group. ⊗ The Group will have increased working capital requirements as a result of the Proposal. ⊗ The winning of new business by the Group depends on a number of factors, many of which are beyond the control of the Company, including losing potential contracts to competitors and due to a contraction in new investment in the renewable energy industry as a result of uncertainties arising with respect to Australia's energy policies. The Proposal will result in greater overheads such as increased employment costs, without any guarantee there will be a commensurate increase in new business. ⊗ The success of the EMC Business to be acquired will be dependent on the EMC Business retaining a sufficient number of employees. ⊗ The demands upon the senior management of the Company, most of whom are based in Sydney, will become greater as a result of having to manage a larger scale and more geographically diverse business following the purchase of the EMC Business. ⊗ Current Shareholders will have their interests in the Company diluted by the issue of the Acquisition Shares. The total Tag Shares held by the Shareholders at the date of the Notice will be diluted to 68% of the total Tag Shares on issue immediately after the issue of the Acquisition Shares (assuming no other Shares are issued by Tag).

The above summary is only a brief overview of certain key information contained in this Explanatory Memorandum. Shareholders should read this Explanatory Memorandum and accompanying documents in full to properly understand the Proposal and its consequences.

1. Resolution 1 – Approval of issue of Shares to Carnegie Clean Energy Limited

1.1 Background

It is proposed that the Company purchase the EMC Business from Carnegie Clean Energy Limited and various subsidiaries of Carnegie Clean Energy Limited through the purchase by the Company of all of the shares in EMC Co Pty Limited. In consideration for doing so, the Company proposes to issue 58,507,377 new fully paid ordinary shares in the Company to Carnegie (the '**Acquisition**').

Shareholder approval is sought pursuant to section 611 item 7 of the Corporations Act for the Acquisition.

1.2 Terms of the Share Purchase Agreement and Sale of Business Agreement

On 28 June 2018, the Company announced it and Carnegie had entered into the Implementation Deed.

Under the terms of the Implementation Deed:

(a) Carnegie was required to incorporate a new company and have the owners of the EMC Business enter into a sale of business agreement ('**Sale of Business Agreement**') to sell the EMC Business to that new company;

(b) Tag was to enter into a share purchase agreement ('**Share Purchase Agreement**') to purchase all of the shares of that new company immediately after the new company purchased the EMC Business; and

(c) completion of both the Sale of Business Agreement and the Share Purchase Agreement was to occur on the same day.

The result of those transactions meant that Tag would indirectly acquire the EMC Business by acquiring all of the shares in that new company.

Carnegie has now incorporated that new company, which is called EMC Co Pty Ltd ('**EMC Co**').

The EMC Vendors and EMC Co entered into the Sale of Business Agreement for EMC Co to buy the EMC Business from the EMC Vendors on 17 August 2018.

Carnegie and Tag entered into the Share Purchase Agreement for Tag to buy all of the shares in EMC Co from Carnegie on 17 August 2018.

Tag announced to the ASX the signing of the Sale of Business Agreement and the Share Purchase Agreement on 17 August 2018.

Consideration

Under the Share Purchase Agreement, the consideration payable by Tag to Carnegie for the shares in EMC Co is to be satisfied by the issue by Tag to Carnegie of the Acquisition Shares. The Acquisition Shares are 58,507,377 new fully paid ordinary shares in Tag. Under the terms of the Share Purchase Agreement, Carnegie is to distribute the Acquisition Shares in specie to Carnegie's shareholders following completion of the Acquisition by way of the Carnegie Capital Reduction, thereby bringing new shareholders into the Company.

Under the Carnegie Capital Reduction, Carnegie will distribute the Acquisition Shares that it receives in relation to the Acquisition to Carnegie shareholders in proportion to the number of Carnegie shares they hold. This distribution will be subject to Carnegie shareholder approval which is intended to be sought by Carnegie on or about the date of the Meeting.

Conditions Precedent

The Acquisition is conditional upon the satisfaction or waiver of the conditions precedent set out in the Sale of Business Agreement and the conditions precedent set out in the Share Purchase Agreement.

The conditions precedent set out in the Sale of Business Agreement are:

(a) the satisfaction of all the conditions precedent set out in the Share Purchase Agreement, other than those referred to in paragraphs (iii), (iv) and (vi) below;
(b) the consents required for either the novation or assignment of a number of material contracts to EMC Co;
(c) five key employees agreeing to accept employment with EMC Co and no less than 30 other employees who are engaged in the EMC Business accepting employment with EMC Co.

The conditions precedent set out in the Share Purchase Agreement are:

(i) the approval of Tag Shareholders at a general meeting being obtained in relation to the following:
    (A) under item 7 of section 611 of the Corporations Act for Carnegie acquiring a relevant interest of in excess of 20% in the Company as a result of the Acquisition;
(ii) the approval of Carnegie shareholders at a general meeting being obtained in relation to the following:
    (A) a resolution under section 256B of the Corporations Act for the in specie distribution to Carnegie shareholders of the Acquisition Shares on a pro rata basis pursuant to an equal capital reduction and no person having applied to the Court to restrain or otherwise stop the Carnegie Capital Reduction;
(iii) no material adverse change occurring in relation to Tag in the period from the date of the Share Purchase Agreement and completion of the Acquisition;
(iv) no material adverse change occurring in relation to the EMC Business in the period from the date of the Share Purchase Agreement and completion of the Acquisition;
(v) the counterparties to two of the material contracts to be assigned to EMC Co under the Sale of Business Agreement each giving a binding acknowledgement within 10 business days of the date of the Share Purchase Agreement that the change in control of EMC Co does not affect the rights and duties of the parties under that contract and will not result in that counterparty exercising any rights of termination;
(vi) completion of the Sale of Business Agreement;
(vii) Clear Energy Pty Ltd having lodged with the Australian Taxation Office a tax return for the financial year ended 30 June 2017 in a form acceptable to Tag;
(viii) Tag having raised, or having received binding commitments (on terms satisfactory to Tag and Carnegie) that will enable Tag to raise, at least $4,000,000 to be used to fund future working capital requirements;
(ix) a prospectus in respect of the Acquisition Shares being lodged with ASIC and a copy being despatched to each of the eligible Carnegie shareholders;
(x) Carnegie having delivered written evidence to Tag that the Commonwealth Bank of Australia has provided all consents under the terms of Carnegie's facility agreement with the Commonwealth Bank of Australia with respect to the Transaction;
(xi) Carnegie having delivered evidence to Tag that an ASIC Form 6010 has been lodged with ASIC in respect of the voluntary deregistration of EMC Kimberley Pty Limited ACN 611 515 970;
(xii) no person holding a relevant interest in more than 15.0% of the voting shares in Carnegie; and
(xiii) Tag and Carnegie having agreed (both acting reasonably) a tax structure for the EMC Vendors that does not require EMC Co, the EMC Vendors and Clear Energy Pty Limited to form a tax consolidated group within the meaning of the Income Tax Assessment Act 1997 (Cth).

Other material terms of the Share Purchase Agreement

Other material terms of the Share Purchase Agreement include:

(a) If all of the above conditions are not satisfied or waived by 31 October 2018 or such other date as the parties may agree in writing, either Tag or Carnegie may terminate the Share Purchase Agreement and completion of the Acquisition will not occur.

(b) The parties have agreed that the net tangible assets of EMC Co as at the date of completion of the Acquisition must be at least $4,200,000. The parties have agreed the estimated amount of net tangible assets of EMC Co as at the date of completion to be $1,917,396 based on the valuation principles for valuing the assets of the EMC Business less the estimated accrued employee entitlements to be assumed by EMC Co as agreed by Tag and Carnegie ('**Estimated Completion NTA**') and Carnegie will pay to Tag on the date of completion of the Share Purchase Agreement the amount of $1,882,604, which amount is equal to $4,200,000 minus the aggregate of the Estimated Completion NTA and $400,000.

The parties have agreed that Carnegie shall pay the additional $400,000 amount to Tag on the date that is 3 months after completion together with interest on the $400,000 calculated at a rate of 15% per annum.

Once the actual balance sheet of EMC Co as at the date of completion of the Share Purchase Agreement is agreed post completion, the parties will adjust on the basis that if the actual net tangible assets of EMC Co at the date of completion is less than the Estimated Completion NTA then Carnegie must pay to Tag an additional amount equal to this difference and if the actual net tangible assets of EMC Co at the date of completion is more than the Estimated Completion NTA then Tag will pay to Carnegie the amount of that excess (with the amount of any such payment by Tag being subject to a cap equal to $2,282,604).

(c) There are three existing partly completed projects included in the EMC Business that will be part of the assets indirectly acquired by Tag. These three projects are identified in section 1.4 below. The EMC Business' interest in each partly completed project is a 50% interest of the project, as each project is being delivered by the EMC/Lendlease Joint Venture. The parties have agreed that to the extent the aggregate gross margin of these three projects at the date of completion is less than 7.5% then Carnegie must pay to Tag sufficient cash that would be necessary so that the total revenue to be derived from the projects (including the cash adjustment as notional project revenue) would produce a 7.5% gross margin from the three projects in aggregate. The determination of whether Carnegie must pay any cash to Tag is based on estimates of costs and likely revenues under the contracts for the three partly completed projects as at the time of completion of the Acquisition. If the agreed assessment of the costs and revenues prove not to be correct, that is to the risk of Tag. There is no guarantee that the actual aggregate gross margin of the three projects will be 7.5% or more at the time the projects are completed. For example, costs could prove to be greater than what the parties agreed at the time of completion or the agreed estimated revenues may be less than what the parties agreed at the time of completion.

(d) Carnegie has agreed that it shall not engage in any competitive business which is the same or substantially the same as the EMC Business for a period of three years from completion of the Acquisition within Australia, New Zealand, the Pacific Islands, South East Asia and the Republic of Mauritius except that Carnegie shall be able to continue its core activities of marine renewable energy technology, marine renewable energy equipment and marine renewable energy project development.

(e) If completion of the Acquisition occurs, Tag is to appoint two nominees of Carnegie to the Board of Tag, which nominees are to be Mr Mark Woodall and Dr Michael Ottaviano. Tag must appoint the nominees as non-executive directors, with Mr Woodall to be appointed as deputy chairman of Tag.

(f) Standard representations and warranties for an agreement of this type have been provided by Carnegie to Tag in respect of the assets of the EMC Business to be purchased by EMC Co under the Sale of Business Agreement and in respect of the shares in EMC Co to be purchased by Tag under the Share Purchase Agreement.

(g) Standard representations and warranties for an agreement of this type have been provided by Tag to Carnegie in respect of the Acquisition Shares to be issued by Tag to Carnegie and in respect of Tag.

1.3 Information about Carnegie and the EMC Business

Carnegie

Carnegie is an Australian incorporated company whose shares are quoted on the ASX. The headquarters of Carnegie are based in Perth, Western Australia. Carnegie, together with several of its wholly owned subsidiaries, is the 100% owner of the EMC Business.

The directors of Carnegie as at the date of this Notice are:

→ Mr Terry Stinson: Non-Executive Director/Chairman
→ Dr Michael Ottaviano: Managing Director
→ Mr Michael Fitzpatrick: Non-Executive Director
→ Mr Grant Mooney: Non-Executive Director/Company Secretary
→ Mr Mark Woodall: Non-Executive Director

EMC Business

The EMC Business is a business of developing, financing, engineering, procurement and construction of distributed renewable energy power systems and microgrids.

A microgrid is a discrete energy system made up of distributed energy sources that are capable of operating independently from the main power grid. Renewable microgrids that combine multiple renewable energy generation sources (eg. solar) take advantage of different renewable energy profiles at different times of day.

Renewable microgrids can be used to cut costs, cut greenhouse emissions, and in the case of high penetration renewable microgrids, allow communities to be more energy independent and more environmentally sustainable. The precise mix of renewable sources, energy storage, fossil fuel and desalination will depend on the mix of renewable resources available locally and the needs of the customer.

The EMC Business operates as a solar and battery microgrid developer providing off-grid power and utility scale solutions and specialises in the delivery of mixed renewable energy microgrid projects, ideally suited to island, remote and fringe of grid communities. The EMC Business offers an end to end renewable energy solution, dedicated to in-house research and development, custom design, construction, operation, maintenance and monitoring.

The EMC Business is principally carried on by Energy Made Clean Pty Ltd ACN 118 300 520 ('**EMC**'), which is a wholly owned subsidiary of Carnegie and one of the EMC Vendors. EMC Engineering Australia Pty Limited, which is one of the EMC Vendors, has a subsidiary, Clear Energy Pty Ltd ACN 129 057 030, which holds an energy retail licence in Western Australia. (Under the terms of the Sale of Business Agreement, EMC Engineering Australia Pty Limited will sell all the shares in Clear Energy Pty Ltd to EMC Co. Therefore by acquiring EMC Co, Tag will also be acquiring Clear Energy Pty Ltd.)

EMC has built a significant track record of grid connected and offgrid migrogrid projects, including the following:

→ Delivery of New Zealand's first grid connected, commercial Battery Energy Storage System (BESS) for Alpine Energy, with strategic alliance partner Infratec.
→ Solar, BESS and diesel microgrid project with remote monitoring on Mackerel Island off the coast of Onslow in Western Australia.
→ Engineering, procurement and construction of a 1.6MW solar and 2.4MWh BESS array for the CSIRO-led Australian Square Kilometre Array Pathfinder.
→ Construction of a 600KW solar farm on Rottnest Island, Western Australia for Hydro Tasmania.
→ Delivery of a 1.1MWh BESS for Western Australian power retailer Synergy in Western Australia.
→ Delivery and ongoing remote monitoring and maintenance of a number of Standalone Power Systems (SPS) to Western Power customers, replacing traditional poles and wires and bringing energy security, reliability and stability of supply in areas that had suffered significant fire damage in Western Australia.

Assets of the EMC Business

Under the terms of the Sale of Business Agreement, Carnegie and the other EMC Vendors have agreed to sell the EMC Business (and the assets of the EMC Business) to a newly incorporated wholly owned subsidiary of Carnegie called EMC Co Pty Ltd.

EMC Co has also agreed to assume certain liabilities of the EMC Business, namely (i) the accrued employee entitlements of those employees of the EMC Business who agree to accept employment with EMC Co; (ii) any design related liabilities arising in respect of the project contracts to be assigned to EMC Co; and (iii) any other liabilities arising in respect of the contracts to be assigned to EMC Co and relating to the period from completion.

Under the terms of the Share Purchase Agreement, Tag has agreed to purchase all of the shares of EMC Co immediately after EMC Co acquires the EMC Business from the EMC Vendors.

The assets of the EMC Business to be acquired by EMC Co under the Sale of Business Agreement and which are to be owned by EMC Co at the time Tag acquires EMC Co under the Share Purchase Agreement are set out in the following table:

Item	Definition
Inventory	The inventory of the EMC Business as at completion including raw materials, componentry, work in progress, finished goods and packaging material used or produced by the EMC Vendors in the EMC Business.
Plant and Equipment	The plant, equipment, machinery, tools, furniture, fittings and motor vehicles used or owned by the EMC Vendors in connection with the EMC Business.
Solar Assets	The solar infrastructure assets and associated power purchase agreements.
JV Cash	Energy Made Clean Pty Ltd's 50% share of the cash of the EMC/Lendlease Joint Venture.
Work in Progress	Energy Made Clean Pty Ltd's 50% share of the work-in-progress of the EMC/Lendlease Joint Venture.
Goodwill	The goodwill of the EMC Vendors at completion relating to the EMC Business and includes the exclusive right of EMC Co to carry on the EMC Business as the successor of the EMC Vendors.
Development Assets	The EMC Vendors' interest in various development sites and assets thereon (that are yet to reach financial close as at Completion), including the benefit of any development approvals, applications for development approvals, applications for connection to the grid or any microgrid, approved connections to the grid or any microgrid, off-take agreements and power purchase agreements.
Customer Lists	All customer lists relating to the EMC Business and other business records.
Intellectual Property	All intellectual property rights used or owned by the EMC Vendors in respect of the EMC Business, including all and any patents, patent applications, trade marks, service marks, trade names, registered designs, unregistered design rights, copyrights, know how, trade secrets, domain names, internet addresses, rights in confidential information, and all and any other intellectual property rights, whether registered or unregistered, and including all applications and rights to apply for any of the same.
Clear Energy Shares	100% of the issued share capital of Clear Energy Pty Ltd (ACN 129 057 030).
EMC Contracts	The EMC Vendors' right title and interest in the material contracts of the EMC Business, which includes the joint venture agreement for the EMC/Lendlease Joint Venture described below, the three contracts referred to in section 1.4 below and various operations and maintenance contracts.

EMC/Lendlease Joint Venture

On 17 December 2016, Carnegie announced that EMC had entered into the EMC/Lendlease Joint Venture with Lendlease Services Pty Ltd, part of the Lendlease group of companies. The EMC/Lendlease Joint Venture provides opportunities to increase EMC's capacity to bid for and deliver a broader range of solar, BESS and microgrid opportunities within Australia, including increased access to the National Energy Market, leveraging Lendlease's national footprint across Australia. The initial term of the EMC/Lendlease Joint Venture is 3 years ending in December 2019. The purpose of the EMC/Lendlease Joint Venture is to identify, pursue, bid for, secure and deliver engineering procurement and construction contracts for solar and/or battery energy storage systems in Australia.

The benefit of EMC's interest in the EMC/Lendlease Joint Venture is included in the assets of the EMC Business to be transferred to EMC Co under the Sale of Business Agreement before Tag acquires EMC Co under the Share Purchase Agreement.

Voluntary escrow arrangements with John Davidson

On 28 June 2018, Carnegie announced:
(a) its intention to sell the EMC Business to Tag;
(b) the resignation of John Davidson and Kieran O'Brien from the board of directors of Carnegie; and
(c) that Carnegie had entered into a voluntary escrow agreement for 12 months with Mr John Davidson for his currently tradeable shares in Carnegie and that his remaining shares in Carnegie will remain subject to their current escrow arrangements.

The effect of the announced voluntary escrow agreement with Mr Davidson is that 148,571,428 shares in Carnegie ('**First Tranche of Carnegie Shares**') are subject to a voluntary escrow until 25 June 2019, subject to usual qualifications, and a further 148,571,428 shares in Carnegie ('**Second Tranche of Carnegie Shares**') are subject to a voluntary escrow until 6 December 2018, subject to the same qualifications.

It is noted that if the Transaction is completed and the Carnegie Capital Reduction implemented, all Tag Shares to be received by John Davison, as a shareholder of Carnegie, will be subject to the following escrow periods:
(a) all Tag Shares to be received by Mr Davidson under the Carnegie Capital Reduction in respect of the First Tranche of Carnegie Shares will be subject to the same voluntary escrow conditions (as identified below) until 25 June 2019; and
(b) all Tag Shares to be received by Mr Davidson under the Carnegie Capital Reduction in respect of the Second Trance of Carnegie Shares will be subject to the same voluntary escrow conditions (as identified below) until 6 December 2018.

The voluntary escrow conditions referred to above are that Mr Davidson must not until the abovementioned respective dates:
(a) dispose of, or agree or offer to dispose of, the Tag Shares he is to receive under the Carnegie Capital Reduction;
(b) create, or agree or offer to create, any security interest in the Tag Shares he is to receive under the Carnegie Capital Reduction; or
(c) do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of the Tag Shares he is to receive under the Carnegie Capital Reduction,

in each case except to sell under a takeover bid or scheme of arrangement.

Under the escrow arrangement between Carnegie and Mr Davidson, Carnegie can require Mr Davidson to enter into a direct escrow arrangement with Tag on the equivalent terms to those applying between Carnegie and Mr Davidson in respect of the Tag Shares that Mr Davidson may receive under the Carnegie Capital Reduction. Carnegie and Tag propose to request that Mr Davidson do so.

Transitional Services

On 17 August 2018, a licence deed was entered into under which Energy Made Clean Pty Limited and Carnegie agreed to provide various transitional services to EMC Co and Tag until 31 January 2019 at commercial rates, which transitional services include the employees of EMC Co occupying Carnegie's premises at 21 Barker Street, Belmont WA 6104 and use of communication and IT systems.

1.4 Details of the partly completed projects of the EMC Business

Under the Acquisition, the Company will indirectly acquire the EMC Business' interest in the following projects (which in each case is a 50% interest in the project held through the EMC/ Lendlease Joint Venture). The Company and Carnegie have agreed the estimated value of the EMC Business' interest in the following projects at completion of the Acquisition to be $432,000, under the terms of the Share Purchase Agreement. This estimated value is included in the adjustment figure for 'Trade and other receivables' appearing in the second column of the statement of financial position of the Company in section 1.7 below.

Each reference to 'Commissioning' in the contract description below means a process undertaken towards the end of the term of the contract for the project that ensures the power system is performing to specification.

The three projects described below are the projects subject to the gross margin top up under the Share Purchase Agreement in the event the agreed aggregate gross margin from the three projects is less than a 7.5% gross margin (see section 1.2 above).

→ Northam Solar Farm
  – Contract awarded to EMC/Lendlease Joint Venture
  – Design, construct, operate and maintain 9.9MW grid connected solar farm
  – Approximately 34,000 solar panels on a 25 hectare site at Northam WA
  – Commissioning late 2018
  – Client is Carnegie / Indigenous Business Australia / Bookitja
  – Contract sum is $15,598,167 which is payable in instalments subject to meeting agreed milestones
  – Defects liability period is 36 months from practical completion
  – The client has the right to terminate at any time provided all costs incurred to date of termination are paid and security bond is returned

→ Summerhill Solar Farm
  – Contract awarded to EMC/Lendlease Joint Venture
  – Nationally competitive tender process
  – Utility scale solar farm connected to the National Electricity Market
  – Design, construct, operate & maintain a $7m 5MW solar farm
  – Location is the former landfill site at the Summerhill Waste Management Centre in Newcastle NSW
  – The solar farm utilises a ground mounted fixed tilt system using an optimised piling system to suit the site topology
  – It will have the capacity for the future addition of a Battery Energy Storage System (BESS)
  – Commissioning late 2018
  – Client is City of Newcastle and is part of the Council's plan to cut its emissions by 30% by 2020
  – Contract sum is $7,096,908.50 which is payable in instalments subject to meeting agreed milestones
  – Defects liability period is 12 months from practical completion
  – Contract can only be terminated for usual events of default

→ Kalbarri Microgrid
  – Contract awarded to EMC/Lendlease Joint Venture
  – Supply, delivery and installation of a $6.6m 5MW BESS
  – The BESS will have a 4.5MWh energy capacity and a minimum 2MWh that is accessible at any time for reliability back-up services
  – It will form part of the largest microgrid in WA
  – Location is Kalbarri, approximately 500km north of Perth
  – Construction is to begin in late 2018 – operations to commence mid 2019
  – Client is Western Power (WA State Government utility)
  – Intended to deliver energy security to Kalbarri, a regional area of WA which has in the past had disruptions to its energy supply because of its remote location
  – Contract sum is $6,600,811 which is payable in instalments subject to meeting agreed milestones
  – Defects liability period is 24 months from practical completion and 10 years in respect of batteries
  – The client has the right to terminate at any time provided all costs incurred to date of termination are paid and security bond is returned

1.5 Rationale for Tag acquiring the EMC Business

The proposed transaction is expected to deliver the following significant benefits to Tag:

Expected benefit	Explanation
Market leading position and increased scale	The combination of the existing business of Tag and the EMC Business is expected to create a leading specialist microgrid business in Australia, New Zealand and the Pacific Islands. The addition of the EMC Business will increase the scale of the Group.
Improvement in financial performance	The Transaction is expected to improve the financial performance of the Group after an initial period of integration.
Increased prospects	The EMC Business has developed a pipeline of prospects that cover both Engineering/Procurement/ Construction (‘**EPC**’) and Build/Own/Operate (‘**BOO**’) opportunities.
Greater geographic coverage	The geographic heart of MPower’s project activities has historically been on the east coast of Australia. The EMC Business is focussed on the west coast and the combination will provide greater geographic coverage for the Group.
Improved capital structure and liquidity	The Transaction is expected to better utilise the existing Tag ASX listing and result in greater liquidity in Tag Shares. This is expected to improve Tag’s ability to raise capital in the future.
Extended capability into BOO projects	The proposed transaction will move MPower up the value chain to be a developer and financier of BOO projects. This diversifies MPower’s income streams and allows for greater value to be created outside of EPC projects.
Greater technical depth	The EMC Business includes some talented engineering people that have deep expertise in renewables. This will add MPower’s technical capability which is spread across conventional and renewable power systems.
Increased working capital	The Transaction is conditional on new working capital of at least $4 million being raised, in addition to any cash that is delivered by Carnegie as set out in section 1.2 above.
Streamlined branding	The proposed transaction includes a proposed change of Tag’s name to MPower and a streamlining of all activities under the MPower brand. If Resolution 2 is passed, this is expected to provide greater clarity to Tag Shareholders.

1.6 Tag’s proposed strategy and prospects after acquiring the EMC Business

Strategy

Following completion of the Acquisition, Tag will seek to grow the EMC Business under the MPower brand name by securing as many new contracts as it can with the aim of becoming the leader in Australia, New Zealand and the Pacific Islands in the development, financing, Engineering/Procurement/Construction and Build/Own/Operate of renewables, battery storage and microgrids.

Business model

The business model of the EMC Business will be to focus on the following three main activities:

(a) undertaking engineering, procurement and construction contracts in relation to renewable energy and microgrid projects;

(b) undertaking operations and maintenance contracts in relation to renewable energy and microgrid projects; and

(c) development and financing activities in relation to renewable energy and microgrid projects.

Prospects

Under Tag’s ownership, the EMC Business will be positioned to grow as the off-grid and fringe-of-grid solar, battery storage and microgrid market grows over time.

Shareholders are referred to the risk factors in section 1.10 below as to the factors affecting the chances of the combined Tag and EMC Business securing new contracts.

Capital raising: Use of funds

As described in section 1.2 above, the Share Purchase Agreement is subject to a condition precedent of Tag having raised, or having received binding commitments (on terms satisfactory to Tag and Carnegie) that will enable Tag to raise, at least $4,000,000 to be used to fund future working capital requirements. The Company has yet to decide whether to raise the capital by way of debt or an equity capital raising.

The amount of $4,000,000 is intended to be the gross proceeds of the capital raising before paying the costs to be incurred in respect of the capital raising.

The gross proceeds of the capital raising will be used to pay the costs of the capital raising and the balance will be used to provide working capital to the Company for ongoing working capital needs.

1.7 Pro forma statement of financial position

As explained in section 1.2 above, Tag and Carnegie have agreed in the Share Purchase Agreement that the Estimated Completion NTA of EMC Co is $1,917,396, which agreement has been reached based on asset and liability values of the EMC Business forecasted to 30 September 2018 as provided by Carnegie to Tag. As a result of the Share Purchase Agreement requiring EMC Co to have a minimum of $4,200,000 in net tangible assets at completion, under the terms of the Share Purchase Agreement the amount of $2,282,604 ($4,200,000 minus $1,917,396) is payable by Carnegie to Tag in cash, which is to be satisfied by Carnegie paying $1,882,604 to Tag at completion and an additional $400,000 to Tag three months after completion.

An unaudited pro forma statement of financial position of the Company following the Acquisition is set out below:

	Reviewed as at 31 Dec 2017 Tag Pacific	Agreed estimated values of the Acquisition assets and liabilities	Capital raising net of costs	Unaudited Pro-Forma of Tag Pacific and EMC Co and net capital raising proceeds
	$'000	$'000	$'000	$'000
Current assets				
Cash and cash equivalents	5,427	3,127	3,800	12,354
Trade and other receivables	9,601	832	–	10,433
Inventories	8,155	100	–	8,255
Other assets	975	–	–	975
Other financial assets	68	–	–	68
Total current assets	**24,226**	**4,059**	**3,800**	**32,085**
Non-current assets				
Property, plant and equipment	2,870	608	–	3,478
Goodwill and other intangibles	–	–	–	–
Total non-current assets	**2,870**	**608**	**–**	**3,478**
Total assets	**27,096**	**4,667**	**3,800**	**35,563**
Current liabilities				
Trade and other payables	11,983	–	–	11,983
Borrowings	4,323	–	–	4,323
Provisions	1,409	392	–	1,801
Other liabilities	477	–	–	477
Total current liabilities	**18,192**	**392**	**–**	**18,584**
Non-current liabilities				
Borrowings	1,195	–	–	1,195
Provisions	63	75	–	138
Other liabilities	82	–	–	82
Total non-current liabilities	**1,340**	**75**	**–**	**1,415**
Total liabilities	**19,532**	**467**	**–**	**19,999**
Net assets	**7,564**	**4,200**	**3,800**	**15,564**
Equity				
Issued capital	23,410	4,200	3,800	31,410
Reserves	411	–	–	411
Accumulated losses	(16,643)	–	–	(16,643)
Equity attributable to owners of the company	7,178	4,200	3,800	15,178
Non-controlling interest	386	–	–	386
Total equity	**7,564**	**4,200**	**3,800**	**15,564**

The above unaudited consolidated statement of financial position is based on the financial position of the Company as if completion of the Acquisition had occurred at 31 December 2017 taking into account:

(a) the agreed estimated values of the assets of the EMC Business to be acquired by EMC Co under the Sale of Business Agreement and the agreed estimated values of the liabilities to be assumed by EMC Co under the Sale of Business Agreement, which asset and liability values are reflected as the adjustments appearing in the second column of the above statement of financial position;

(b) the agreed cash payment payable by Carnegie to Tag at completion of $1,882,604 and the receivable owing by Carnegie to Tag at completion of $400,000; and

(c) the Company's proposed capital raising, assuming the gross proceeds of the capital raising is $4 million, the cost of the capital raising is $200,000 and the capital raising is by way of an equity raising at 9 cents per Share.

The unaudited pro forma adjustments in the table above are based on the estimated net tangible assets of EMC Co as at the date of completion of the Acquisition, as agreed by the parties in the Share Purchase Agreement. The ultimate allocation of the value of the assets and liabilities of EMC Co and any intangible assets arising from the Acquisition will be determined following completion of the Acquisition, based on the acquisition accounting procedure required by Australian Accounting Standards.

1.8 Pro forma capital structure

The pro forma capital structure of the Company on completion of the Acquisition is set out below.

	Shares	Options
Current issued capital[1]	124,328,175	3,105,000
Issue of Acquisition Shares pursuant to Resolution 1[2]	58,507,377	–
Total on completion of the Acquisition	182,835,552	3,105,000

Notes:

1. This figure assumes no further securities are issued before completion of the Acquisition other than as set out in the table and that no Options have been converted into Shares.
2. The issue of the Acquisition Shares is subject to shareholder approval under Resolution 1.

1.9 Board of Directors

The current Directors are Mr Peter Wise (Executive Chairman), Mr Nathan Wise (CEO and Managing Director) and Messrs Gary Cohen, Robert Constable and Robert Moran (Non-executive Directors). Following completion of the Acquisition, the following Carnegie representatives will be appointed to the Tag Board as non-executive Directors.

(a) **Mr Mark Woodall**
Mr Woodall is a Non-Executive Director of Carnegie. Mr Woodall has been a leader in the development and financing of renewable energy and clean technologies for nearly 25 years. He founded and led two specialist investment banking firms focused on the low carbon economy: Impax Capital (1994) and Climate Change Capital (2002). He has been the adviser, investor or principal in over 90 cleantech transactions with total capital deployed of over US$4.5 billion. Mark has an MBA (Dean's List) from Cranfield University and was an officer in the British Army.

(b) **Dr Michael Ottaviano**
Dr Ottaviano is the managing director and CEO of Carnegie. Dr Ottaviano joined Carnegie in January 2006 and was made Managing Director in March 2007. Dr Ottaviano oversaw Carnegie's acquisition of the CETO wave power intellectual property in 2009 and focusing of Carnegie's efforts on its commercialisation. During his time as Managing Director, Dr Ottaviano has led the development of CETO Wave Energy technology and has been responsible for Carnegie raising over $140 million in equity, grants and debt. More recently he has steered the Carnegie group's expanded focus into the solar/battery microgrid market including the acquisition of the EMC Business in 2016.

Dr Ottaviano has previously worked in research and development and consulted in technology and innovation management. He has advised companies on new product development, intellectual property and technology commercialisation across various industries and ranging from start-ups to large multi-nationals. He is a former board member of the Clean Energy Council, Australia's clean energy peak industry group, and was a member of the Australian Government's Energy White Paper Consultative Committee. He is also a non-executive director of Western Australia's screen funding development organisation Screenwest.

Dr Ottaviano has a Bachelor of Engineering, a Master's of Science and a Doctorate in Business Administration.

1.10 Risk factors

There are a number of transaction risks associated with the acquisition of EMC Co and the EMC Business.

In addition, there are a number of general and specific risks that the Company may face, which may materially and adversely impact the future operating and financial performance of the Company and the value of the Shares.

Notwithstanding the risks specified below, the Company is already exposed to several of these risks in any event given its current project activities.

Transaction risks

The following is not intended to be an exhaustive list of the risks arising for the Company that are specific to entering into and completing the Transaction.

(a) **Technical and design risk**
In respect of the three partly completed projects described in section 1.4 above, the Group will incur unanticipated liabilities if technical or commercial issues arise with respect to the projects or the power systems being built as part of the projects have not been properly designed. Under the Share Purchase Agreement, all design related liabilities are assumed by EMC Co. Tag will try to minimise this risk through professional indemnity insurance.

(b) **Project financial risk**
As a result of the Acquisition, the interest of the EMC Business in three partly completed projects will be taken over by the Group as described in section 1.4 above. There are project financial risks for the Group if the costs and revenues of each project to be taken over have not been properly estimated or the contractual terms attaching to the projects are unduly onerous. If this risk does occur then it will reduce the profit margin to be achieved from the projects or, in the worst case, cause the Group to incur a loss from the projects. Tag has tried to minimise this risk occurring through its due diligence enquiries of the projects prior to entering into the Share Purchase Agreement and the inclusion of the 7.5% gross margin top up provisions in the Share Sale Agreement.

(c) **Key employees**
The success of the EMC Business to be acquired will be dependent on the EMC Business retaining a sufficient number of employees. Tag has tried to nullify this risk by including a condition precedent in the Sale of Business Agreement that certain key employees accept employment with EMC Co and that a minimum number of other employees accept employment with EMC Co. However, there is no guarantee that any of those employees will remain with the Group following completion. If this risk occurs, then the Group will incur additional costs in hiring replacement employees.

(d) **Solvency risk**
Various provisions in the Share Purchase Agreement for the benefit of Tag, such as warranties and indemnities made by Carnegie for the benefit of Tag and the obligation to pay $400,000 to Tag after completion and the obligation to pay to Tag any 7.5% gross margin adjustment, are dependent upon Carnegie remaining solvent and having sufficient funds to satisfy those liabilities. If Carnegie becomes insolvent before satisfying those obligations, Tag will be an unsecured creditor of Carnegie with no assurance that the liabilities will be satisfied. Based on Tag's assessment of the current financial position of Carnegie there does not appear to be a significant likelihood of Carnegie becoming insolvent.

(e) **Senior management**
The demands upon the senior management of the Company, most of whom are based in Sydney, will become greater as a result of having to manage a larger scale and more geographically diverse business following the purchase of the EMC Business. This may inadvertently reduce the ability of senior management to make effective value creating management decisions with respect to some aspects of the Group's ongoing business. The Tag Board believes it will be able to readily assess if this risk materialises. If so, the Group will incur additional costs in having to employ additional managers.

(f) **Dilution risk**
Current Shareholders will have their interests in the Company diluted by the Acquisition. Assuming there is no change to the capital structure of the Company between the date of this Notice and the date of completion of the Acquisition, the issue of 58,507,377 Acquisition Shares to Carnegie on completion of the Acquisition will dilute existing Shareholders of Tag from 100% to approximately 68%.

The existing Shareholders of Tag will be further diluted by the proposed capital raising of Tag which is one of the conditions precedent to completion of the Acquisition as described in section 1.2, should the capital raising be in the form of the issue of new shares by Tag instead of debt.

The following table shows the dilution effect on the existing shareholders of Tag assuming the capital raising is to raise $4,000,000 and is by way of the issue of new Shares at respective issue prices of 9 cents, 10 cents, 15 cents and 20 cents per Share:

	Number of shares held by existing Tag Shareholders at date of Notice	Number of Acquisition Shares to be issued	Number of Tag Shares to be issued under capital raising	Total number of Tag Shares on issue immediately after Acquisition and capital raising	Percentage of total Tag Shares held by those persons who are Shareholders at date of Notice
Prior to the Acquisition and any capital raising	124,328,175	–	–	124,328,175	100%
Immediately after the Acquisition but prior to any capital raising	124,328,175	58,507,377	–	182,835,552	68%
Immediately after the Acquisition and a $4.0m capital raising at 9 cents per Share	124,328,175	58,507,377	44,444,444	227,279,996	54.7%
Immediately after the Acquisition and a $4.0m capital raising at 10 cents per Share	124,328,175	58,507,377	40,000,000	222,835,552	55.8%
Immediately after the Acquisition and a $4.0m capital raising at 15 cents per Share	124,328,175	58,507,377	26,666,667	209,502,219	59.3%
Immediately after the Acquisition and a $4.0m capital raising at 20 cents per Share	124,328,175	58,507,377	20,000,000	202,835,552	61.3%

The above table assumes:

(i) no further Shares are issued by the Company after the date of this Notice other than the Acquisition Shares and the Shares to be issued under the relevant capital raising; and

(ii) no Shareholder as at the date of this Notice is issued any Shares under the capital raising.

Specific risks

The following is a non-exhaustive list of specific risk factors facing the Company (and the industry in which it operates), all of which the Company is already exposed to.

(a) **Future funding requirements**
Tag will have increased working capital requirements following completion of the Transaction. Under the terms of the Share Purchase Agreement, Tag is required as a condition precedent to completion to raise, or receive binding commitments, (on terms satisfactory to Tag and Carnegie) to raise at least $4,000,000 to be used to fund future working capital requirements. However, beyond this initial funding, there can be no assurance that future funding will be available on satisfactory terms or at all. Tag may require further funding in addition to the initial raise and current cash reserves to fund future activities or the acquisition of new projects. Additional equity financing, if available, may be dilutive to shareholders and/or occur at prices lower than the market price. Debt financing, if available, may involve restrictions on financing and operating activities. If Tag is unable to obtain additional financing as needed it may be required to reduce the scope of its operations.

(b) **Failure to win new projects**
Tag's performance is influenced by its ability to win new projects and complete these projects in a timely manner. The chances of Tag securing new projects in the future varies by opportunity and depends on a number of factors, many of which are beyond the control of Tag. There are various factors that may prevent an individual prospect from being secured, including the prospect being secured by a competitor of Tag; the counterparty to the prospect not proceeding; and Tag being unable or unwilling to service a particular prospect. The failure of Tag to win new projects may adversely impact its financial performance. Further, where existing or new projects are delayed, the recognition of revenue for those contracts may be deferred to later periods. This deferral may impact Tag's financial performance in particular financial periods.

(c) **Early termination of projects by clients**
Tag's financial performance is partly based on its projects with clients being performed to completion. In some cases the contractual relationship relating to these projects allows Tag's clients to terminate the project on short notice under termination for convenience provisions. The early termination of a project or projects by Tag's clients may have an adverse impact on Tag's financial performance and/or financial position. The quantum of this adverse impact will vary based on a number of factors, including the value of the project terminated.

(d) **Duration and timing of contracts**
Tag has a number of short duration contracts. A downturn in those industries which Tag is reliant upon for demand for the power systems that Tag develops and/or supplies could result in a loss of expected revenues once these contracts expire, with an adverse impact on Tag's financial performance and/or financial position.

(e) **Contract risk**
Tag's subsidiaries may operate through a series of contractual relationships with operators and sub-contractors. All contracts carry risks associated with the performance by the parties thereto of their obligations as to time and quality of work performed. Any disruption to services or supply may have an adverse effect on the financial performance of Tag's operations.

(f) **Contractual disputes and litigation**
There is a risk that Tag may in the future have disputes with counterparties in respect of major contracts and that this may have an adverse impact on Tag's financial performance and/or financial position.

(g) **Foreign operations**
Tag is currently party to material contracts for delivery of projects in foreign countries. There are certain risks inherent in doing business internationally, such as unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, problems in collecting accounts receivable, political instability, expropriation, nationalisation and war.

There may also be fluctuations in currency exchange rates, foreign exchange controls which restrict or prohibit repatriation of funds, technology export and import restrictions or prohibitions and delays from customers, brokers or government agencies.

(h) **Government regulation**
It is possible that new specific laws may be introduced in Australia or overseas which may have a material adverse effect on Tag's business. Tag's business may be affected by new and changing government policies, including taxation, royalties, environmental regulation, land access and economic regulation relating to the electricity and renewable energy industries and policies and legislation relating to renewable energy targets and renewable energy trading.

(i) **Risk of product liability**
Tag's business exposes it to potential product liability risks. Tag intends to continue to seek adequate product liability insurance where prudent. However, there can be no assurance that adequate or necessary insurance coverage will be available at an acceptable cost or in sufficient amounts, or that a product liability claim would not adversely affect Tag.

(j) **Competition**
Tag has many competitors in the industry sectors in which it operates, and therefore operates in a competitive market environment. Additionally, barriers to entry in Tag's market sector do not preclude the rapid entry of new competitors from within Australia and from overseas. Tag's ability to successfully compete with its competitors will depend upon a large number of factors, including the perceived quality of Tag's services, the performance of Tag in the marketplace, the success of Tag's market strategies and the general business practices and methods of Tag in its operations.

The performance of existing competitors, or the entry of new competitors, in the industries in which Tag operates could result in reduced margins, price reductions, under utilisation of assets and loss of market share. Any of these factors could adversely affect Tag's operating and financial performance.

(k) **Operating risks**
The operations of Tag may be affected by various factors, including:
(i) operational and technical difficulties;
(ii) difficulties in commissioning and operating plant and equipment;
(iii) mechanical or technical failures or plant breakdowns;
(iv) unanticipated engineering, design or technical problems;
(v) plant and equipment unavailability or shortages (including delays in delivery);
(vi) increases in the cost of consumables, spare parts, plant and equipment;
(vii) industrial and environmental accidents and hazards (including, by way of example, fires and explosions);
(viii) labour and industrial disputes;
(ix) transport disruptions; and
(x) extended interruptions due to inclement and hazardous weather conditions.

These hazards and risks could result in damage to or loss of life, damage to or the destruction of production facilities and property, environmental damage and possible legal liability for any and all damage. One or a combination of these events and impacts could have a material adverse effect on the financial position, financial performance, cash flows and growth prospects of Tag. Whilst Tag has implemented a number of systems to guard against errors and industrial accidents, a serious accident or error could have long-term material adverse implications for Tag.

(l) **Delivery risks**
Delivery of Tag's services under client contracts may be adversely impacted due to any of the following factors:
(i) government regulation;
(ii) equipment failure;
(iii) equipment or manpower shortages;
(iv) force majeure;
(v) explosions or fires; and
(vi) environmental hazards and risks,
all of which could have a material adverse effect on Tag's financial position, financial performance, cash flows and growth prospects.

(m) **Contractual arrangements**
Tag is a party to a number of contracts, particularly customer contracts and contracts with its major suppliers. Failure by any party to a contract with Tag to comply with their obligations could have a material adverse effect on the financial position, financial performance, cash flows and growth prospects of Tag.

(n) **Key relationship breakdowns**
Tag relies upon its close and long-standing business relationships with a number of key suppliers, distributors and clients in order to maintain and grow its market share. Tag does not have in place formal written contracts with all of its key suppliers, distributors and clients. The deterioration of any such key relationships or a change in the circumstances or requirements of the key suppliers, distributors and/or clients, or market conditions generally, could therefore have significant operational and financial implications for Tag.

(o) **Manufacturing and quality risk**
There is a risk that Tag's products may not be manufactured in a timely fashion (particularly in response to elevated levels of customer demand) at an appropriate cost or to the required quality standards of customers and regulatory bodies. These risks have been mitigated by utilising either manufacturers with quality certification and the experience and capability to be able to produce each assembly to the relevant standard or by sourcing and using appropriate materials in the manufacturing process. Both elements are continually monitored to assist in achieving product standards.

(p) **Reliance on key personnel**
Tag's businesses are reliant on a number of key personnel and the loss of the services of one or more of these individuals could adversely affect Tag. In addition, Tag's plans for expansion will require it to recruit and train new employees. Although Tag expects to be able to attract and retain skilled and experienced personnel, there can be no assurance that it will be able to do so. Tag intends to mitigate these risks by entering into service contracts with any new employees and, where appropriate, may establish employee incentive plans to encourage employees' loyalty to Tag.

(q) **Currency risk**
A number of Tag's customers and suppliers are domiciled in foreign countries and a part of Tag's ongoing revenue stream from customers and payment obligations to those suppliers are denominated in foreign currencies. This exposure to foreign currency may adversely affect Tag's business if the Australian dollar was to materially alter in value. Tag has a currency hedging strategy in order to attempt to mitigate its exposure to fluctuating currency exchange rates.

(r) **Refinancing banking facilities**
Tag utilises banking facilities in its day-to-day activities, including the use of bank guarantees, letters of credit and trade finance. Historically, Tag has successfully refinanced its banking facilities. However, there is a refinancing risk that replacement bank facilities will not be available or will not be available on terms as favourable to Tag as its previous banking facilities. If Tag is not able to refinance its banking facilities when they fall due, it could have a materially adverse impact on Tag's financial position and its ability to continue trading as a going concern.

(s) **Prospective information**
No assurances as to future profitability or dividends can be given as they are dependent on future earnings and the working capital requirements of Tag. There can be no guarantee that the business plans and strategies of the Tag Board will ultimately prove to be valid or accurate. The business plans and strategies of the Tag Board depend on various factors many of which are outside the control of Tag.

(t) **Industry outlook**
Australia's renewable energy industry is uncertain due to the end of Australia's energy policies and there being no formal initiative currently in place to act as a replacement. This may reduce new investment in the renewable energy industry in Australia which could reduce the number of available new business prospects for Tag. Likewise, an expected fall in wholesale prices arising from increased generation output could also reduce the number of available new business prospects for Tag.

General risks

The current and future operations of the Company may be affected by a range of general market risk factors, including:

(a) **Securities investments**
There are risks associated with any securities investment. The prices at which the Shares of Tag trade may fluctuate in response to a number of factors. Furthermore, the stock market, and in particular the market for energy companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that trading prices will be sustained. These factors may materially affect the market price of Tag Shares regardless of its operational performance.

(b) **Share market conditions**
Share market conditions may affect the value of Tag's Shares regardless of Tag's operating performance. Share market conditions are affected by many factors such as:
(i) general economic outlook;
(ii) interest rates and inflation rates;
(iii) currency fluctuations;
(iv) commodity price fluctuations;
(v) changes in investor sentiment toward particular market sectors;
(vi) the demand for, and supply of, capital;
(vii) terrorism and other hostilities; and
(viii) other factors beyond the control of Tag.

The market price of Tag Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular.

(c) **Insurance**
Tag intends to insure its operations in accordance with industry practice. However, in certain circumstances, Tag's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of Tag.

Insurance against all risks associated with designing, developing and constructing renewable energy projects is not always available and where available the costs can be prohibitive.

(d) **Taxation**
Any change to the current taxation regime in Australia or to the interpretation of Australian taxation laws by the Australian Taxation Office may increase the amount of tax paid by Tag or affect the treatment of tax losses that may have otherwise reduced the tax payable by Tag or affect the use of Tag's existing franking credits. Tag obtains external expert advice on the application of the tax laws to its operations. Tag is not currently in dispute with any revenue authority in respect to any taxation matter. Personal tax liabilities are the responsibility of each individual investor. Tag is not responsible for taxation or penalties incurred by investors.

(e) **Accounting standards**
Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and are outside the Tag Directors' and Tag's control. Changes to accounting standards issued by AASB or changes to the commonly held views on the application of those standards could materially impact the volatility of Tag's reported earnings and adversely affect the financial performance and position reported in Tag's financial statements.

(f) **Force majeure**
Force majeure events including natural disasters, sabotage, the outbreak of international hostilities and acts of terrorism may cause an adverse change in investor sentiment with respect to the stock market generally or Tag specifically. Some force majeure events are uninsurable.

(g) **Economic risk**
Changes in the general economic climate in which Tag operates may adversely affect the financial performance of Tag. Factors that may contribute to that general economic climate include the level of direct and indirect competition against Tag, industrial disruption, the rate of growth of gross domestic product in Australia, interest rates, exchange rates and the rate of inflation.

1.11 Advantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

(a) The Proposal represents a significant investment opportunity for the Company to enable the Group to become a leading specialist microgrid business in Australia, New Zealand and the Pacific Islands.
(b) The project activities of the Group's power activities have historically operated from the east coast of Australia. The EMC Business operates from the west coast of Australia. By integrating the EMC Business into the Group, the Proposal will enable the Group to have an enhanced national reach in the renewables, battery storage and microgrid development sector.
(c) The Proposal is expected to improve the financial performance of the Group once the EMC Business has been able to be fully integrated into the Group.
(d) As there is very little overlap between the prospects for new projects of the Group when compared to the prospects for new projects of the EMC Business, the net prospects for new projects of the combined businesses are expected to increase as a result of the Proposal.
(e) The Proposal is expected to result in a greater liquidity on the ASX for Tag's Shares given that the number of Tag Shareholders will greatly increase as a result of the Proposal.
(f) The increased number of Shareholders in Tag that will result from the Proposal is expected to assist the Company to be able to raise capital should the Company have a need in the future to raise further capital.
(g) The EMC Business employs a number of talented employees with expertise in the renewable energy sector which will enhance the Group's capability.
(h) The Tag Board will be bolstered by the addition of two experienced non-executive directors, being Mr Mark Woodall and Dr Michael Ottaviano. Mr Woodall is a leader in the development and financing of renewable energy and clean technologies, with nearly 25 years' experience in those areas. Dr Ottaviano joined Carnegie in January 2006 and became managing director of Carnegie in March 2007, which position he continues to hold and is a former board member of Clean Energy Council and a member of the Australian Government's Energy White Paper Consultation Committee.
(i) The Independent Expert has concluded that the Proposal is fair and reasonable to the Non Associated Shareholders (i.e. Shareholders other than Carnegie).

1.12 Disadvantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

(a) Under the Proposal, the interest of the EMC Business in three partly completed projects will be taken over by the Group, as described in section 1.4 above. There are project financial risks for the Group if the costs and revenues of each project to be taken over have not been properly estimated or the contractual terms attaching to the projects are unduly onerous.

(b) As well as the financial risks of the three partly completed projects described in section 1.4, the Group will incur unanticipated liabilities if technical or commercial issues arise with respect to the projects or the power systems being built as part of the projects have not been properly designed.

(c) The Group will have increased working capital requirements as a result of the Proposal.

(d) The chances of the Company securing new business in the future varies by opportunity and depends on a number of factors, many of which are beyond the control of the Company or EMC Co. There is no guarantee that any of the current prospects of the Company or EMC Co will be secured as new business. There are various factors that may prevent an individual prospect from being secured, including the prospect being secured by a competitor of the Company; the counterparty to the prospect not proceeding; and the Company or EMC Co being unable or unwilling to service a particular prospect.

(e) The winning of new business by the Group depends on a number of factors, many of which are beyond the control of the Company, including losing potential contracts to competitors and due to a contraction in new investment in the renewable energy industry as a result of uncertainties arising with respect to Australia's energy policies. The Proposal will result in greater overheads such as increased employment costs, without any guarantee there will be a commensurate increase in new business.

(f) The success of the EMC Business to be acquired will be dependent on the EMC Business retaining a sufficient number of employees.

(g) The demands upon the senior management of the Company, most of whom are based in Sydney, will become greater as a result of having to manage a larger scale and more geographically diverse business following the purchase of the EMC Business. This may inadvertently reduce the ability of senior management to make effective value creating management decisions with respect to some aspects of the Group's ongoing business.

(h) Current Shareholders will have their interests in the Company diluted by the issue of Acquisition Shares to Carnegie.

(i) In addition, there are the risk factors associated with the Acquisition, which are set out in Section 1.10 above.

1.13 Indicative timetable

The indicative timetable for the proposed transaction is set out below. Please note that these dates are indicative only and may be subject to change at the discretion of the Directors.

Date	Event
24 August 2018	Despatch of Notice of Meeting and Explanatory Memorandum to Shareholders
25 September 2018	Extraordinary General Meeting
25 September 2018	Notification to ASX of results of Extraordinary General Meeting
28 September 2018	Completion of Acquisition

1.14 Plans for the Company if the Acquisition is not approved

If the Company does not complete the Acquisition, the Company will continue to undertake due diligence on new opportunities for growth and the Board will remain as it is presently.

The estimated transaction costs payable by the Company in respect of the Transaction is $400,000 (excluding any costs associated with the proposed capital raising).

No termination or break fee is either payable to the Company or by the Company in the event the Transaction is not completed.

1.15 Corporations Act requirements – Section 611 (Item 7)

(a) **Prohibition on certain acquisitions of relevant interests in voting shares**

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a company if, as a result of the acquisition that person's or someone else's voting power in the company increases:

(i) from 20% or below to more than 20%; or
(ii) from a starting point that is above 20% and below 90%.

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

(i) are the holder of the securities;
(ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
(iii) have the power to dispose of, or control the exercise of a power to dispose of the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power. The voting power of a person is determined under section 610 of the Corporations Act. It involves calculating the number of voting shares in the company in which the person and the person's associates have a relevant interest.

In addition, section 608(3) of the Corporations Act provides that a person is deemed to have a 'relevant interest' in any securities that a body corporate has if their voting power in that body corporate is above 20% or they control that body corporate.

(b) **Exceptions to the section 606 prohibition**
There are various exceptions to the prohibition in section 606. Section 611 contains a table setting out circumstances in which acquisitions of relevant interests are exempt from the prohibition. Item 7 of this table provides an exemption where a resolution is passed at a general meeting of the company in which the relevant interest will be acquired, before the acquisition is made.

The purpose of Resolution 1 is to seek Shareholder approval for issue of the Acquisition Shares to Carnegie and the acquisition of a relevant interest in Shares by Carnegie pursuant to section 611 (Item 7) as part of the Acquisition. By passing Resolution 1, Carnegie will not be prohibited from acquiring a relevant interest in the Company in excess of the takeover threshold of 20% in the Corporations Act.

(c) **Why Shareholder approval is required**
Resolution 1 seeks Shareholder approval for the purpose of section 611 (Item 7) of the Corporations Act to allow:
(i) the Company to issue the Acquisition Shares to Carnegie in consideration for the sale and transfer to the Company of the EMC Co Shares; and
(ii) Carnegie to acquire a relevant interest in the issued voting shares of the Company otherwise prohibited by section 606(1) of the Corporations Act by virtue of the issue of the Acquisition Shares.

Under the terms of the Share Purchase Agreement, the Acquisition will not complete unless Carnegie shareholders have resolved to accept the distribution to them in specie of the Acquisition Shares, which distribution is intended to occur following completion. Carnegie will only hold the Acquisition Shares for a very brief period of time and will effectively be receiving the Acquisition Shares in circumstances where it will be obliged to distribute them to its shareholders, rather than being entitled to continue to hold the Acquisition Shares in its own right. The requirement for the Company to obtain approval for the purposes of section 611 (item 7) is accordingly technical in nature only, as it is not intended that Carnegie will be put in a position whereby it will be entitled to exercise voting power in relation to the Acquisition Shares. Nonetheless, from a strict compliance perspective the Company is seeking Shareholder approval for this matter. Assuming there is no change to Carnegie's relevant interest in Shares prior to the issue of the Acquisition or the capital structure of the Company, Carnegie's voting power in the Company will increase from 0% up to approximately 37.04% (solely for the period of time within which Carnegie holds the Acquisition Shares prior to distributing them in specie to its shareholders) as a result of completion of the Acquisition and the associated issue of the Acquisition Shares contemplated by Resolution 1.

1.16 Information required under section 611 (Item 7) of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74.

Shareholders are also referred to the Independent Expert's Report attached to this Explanatory Memorandum as Appendix A.

Under the terms of the Implementation Deed, Carnegie is required to provide to Tag all information about Carnegie that is material to the Tag Shareholders to make an informed decision about how they should vote on Resolution 1 to meet the requirements of item 7 of section 611 of the Corporations Act. The information provided by Carnegie to Tag for that purpose has been included in this Notice.

(a) **Identity of the acquirer and their associates**
The Acquisition Shares to be issued by the Company will be acquired by Carnegie. Carnegie is a listed public company and is the 100% owner of EMC Co. There are no associates of Carnegie for the purposes of determining its voting power under the Corporations Act.

(b) **Maximum extent of increase in voting power**
As at the date of this Notice, Carnegie does not hold any relevant interest in any voting shares of the Company, nor any voting power in the Company. As at the date of this Notice, no associate of Carnegie holds any relevant interest in any voting shares of the Company, nor any voting power in the Company.

Assuming there is no change to the capital structure of the Company as existing at the date of this Notice, the voting power of Carnegie will increase from 0% to approximately 37.04% as a result of being issued the Acquisition Shares. The maximum extent of the increase in Carnegie's voting power in the Company will therefore be 37.04%.

The Company and Carnegie have entered into the Share Purchase Agreement whereby it is a condition to completion of the Acquisition that Carnegie must distribute the Acquisition Shares in specie to Carnegie shareholders as soon as possible following completion of the Acquisition. Following such distribution, based on the publicly available information released by Carnegie to the ASX up to the date of this Notice, none of the shareholders of Carnegie will hold more than a 4% relevant interest in the capital of the Company.

(c) **Voting power as a result of acquisition**
The voting power that Carnegie will have as a result of the acquisition of the Acquisition Shares is 37.04%. No associate of Carnegie will have any voting power as a result of the acquisition of the Acquisition Shares.

Under section 608(3)(a) of the Corporations Act, a person has a relevant interest in any Shares that any body corporate has a relevant interest in, where that person's voting power in that body corporate is above 20%. Tag has a relevant interest in 9,208,930 Shares in itself as a result of an existing pre-emptive rights arrangement with a group of Shareholders that hold 9,208,930 Shares in aggregate. Therefore, as Carnegie's voting power in Tag will increase to above 20% as a result of the acquisition of the Acquisition Shares, Carnegie will also obtain a relevant interest in the 9,208,930 Shares in which Tag has a relevant interest, under section 608(3)(a) of the Corporations Act.

The voting power that Carnegie will have represented by the Acquisition Shares is 32.01% and the voting power that Carnegie will have represented by the 9,208,930 Shares in which Tag has a relevant interest is 5.03%, being a total voting power of 37.04%.

(d) **Maximum extent of increase in voting power of Carnegie's associates**
No associates of Carnegie will obtain any voting power as a result of the acquisition of the Acquisition Shares by Carnegie and accordingly there is no increase in the voting power of any associates of Carnegie as a result of the acquisition of the Acquisition Shares.

(e) **Voting Power of Carnegie's associates**
No associate of Carnegie will have any voting power as a result of the acquisition of the Acquisition Shares.

(f) **Reasons for the proposed Acquisition**
The Acquisition Shares will be issued in consideration for the Acquisition. The reasons for the Company proceeding with the Acquisition are set out in section 1.5 above.

(g) **Material terms and timing of the proposed Acquisition**
The material terms of the Company's acquisition of EMC Co are set out in section 1.2 above.

The Acquisition Shares will be issued to Carnegie on completion of the Acquisition, which is required to occur under the terms of the Share Purchase Agreement on the later of (i) the day that is 3 business days after the day on which all of the conditions precedent set out in the Share Purchase Agreement (as described in section 1.2 above) have been satisfied or waived (other than the conditions precedent that no person shall have applied to the Court to restrain or otherwise stop the Carnegie Capital Reduction and the condition precedent of no person having obtained a relevant interest in more than 15% of the voting shares in Carnegie, each of which conditions are to be satisfied on the day of completion of the Acquisition) and (ii) the day that the ASX agrees to be the issue date for the purposes of the timetable applying to the Carnegie Capital Reduction.

As at the date of this Notice, the Company expects that the date on which the Acquisition Shares will be issued to Carnegie, that is the expected date of completion of the Acquisition, will be 28 September 2018.

An indicative timetable for the transaction is set out in section 1.13 above.

(h) **Acquirer's intentions**
If Shareholders approve Resolution 1 and the Acquisition Shares are issued, Carnegie has informed the Company that it has no current intention to:
(i) make any significant changes to the business of the Company;
(ii) inject further capital into the Company;
(iii) make changes regarding the future employment of the present employees of the Company;
(iv) redeploy any fixed assets of the Company;
(v) transfer any assets between the Company and Carnegie; or

significantly change the financial or dividend distribution policies of the Company. There will be no effective change in Tag Board control and Carnegie will not retain any ownership or relevant interest in the Company following the distribution in specie.

(i) **Proposed Directors**
As part of the Acquisition, the Company will appoint Mr Mark Woodall, Non-Executive Director of Carnegie, and Dr Michael Ottaviano, Managing Director and CEO of Carnegie, to the Tag Board as Non-Executive Directors. Details of the qualifications and relevant professional experience of Mr Woodall and Dr Ottaviano are set out in section 1.9 above.

(j) **Directors' recommendations and interests**
The Directors recommend that Shareholders vote in favour of Resolution 1 for the reasons given in section 1.19 below.

None of the Directors has any interest in the Acquisition, other than his interest as a Shareholder or associate of a Shareholder. None of the Directors has an interest in any relevant agreement between Tag and Carnegie (or any of their associates) that is conditional on Shareholders' approval of the Acquisition.

1.17 Placement capacity

Listing Rule 7.1 provides a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement date of that 12 month period.

Pursuant to Listing Rule 7.2 (Exception 16), shareholder approval under Listing Rule 7.1 is not required where approval is being obtained pursuant to section 611 (Item 7) of the Corporations Act. Accordingly, if Resolution 1 is passed by the requisite majority, the issue of the Acquisition Shares will be made without using the Company's 15% annual placement capacity and the Company will retain flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 as well as the additional 10% annual placement capacity approved by Shareholders under Listing Rule 7.1A at the Company's last annual general meeting.

1.18 Independent Expert's Report

To assist Shareholders in deciding how to vote on the Acquisition, the Board engaged HLB Mann Judd to prepare the Independent Expert's Report to provide an opinion on whether or not the issue of the Acquisition Shares to Carnegie in connection with the Acquisition is 'fair and reasonable' to Non Associated Shareholders.

The Independent Expert's Report has been prepared in order to satisfy the requirements for Shareholder approval under section 611 (Item 7) of the Corporations Act.

The Independent Expert has concluded that the issue of the Acquisition Shares to Carnegie in connection with the Acquisition is both fair and reasonable to Non Associated Shareholders.

A complete copy of the Independent Expert's Report is provided in Appendix A to this Explanatory Memorandum.

HLB Mann Judd has consented to the use of the Independent Expert's Report, and the opinion which it contains, in the form and context used in the Notice of Meeting and Explanatory Memorandum.

1.19 Directors' recommendation

The Directors unanimously recommend the Acquisition and that Shareholders vote in favour of Resolution 1. Each of the Directors has considered the Independent Expert's Report and believes that the approval by Shareholders of the Acquisition will be in the best interests of the Company and the Non Associated Shareholders based on the advantages of the Acquisition as identified in section 1.11 above.

Each of the Directors intends to vote in favour of Resolution 1 in respect of any Shares which he holds or controls.

2. Resolution 2 – Approval of change of Company's name

2.1 Background

Tag has historically been an investment company and in that capacity has invested in a number of diversified industry sectors. However, more recently Tag has focussed its investment in the power sector. Tag, through its subsidiaries, engages in diversified activities within the power sector.

Those investment activities in the power sector have been aggregated over time and have evolved to collectively operate under the name 'MPower'. This has resulted in greater recognition of the MPower name in the relevant market to an extent that the Board believes 'MPower' is a recognised brand.

The Board believes that by changing the name of Tag Pacific Limited, which is the head company of the Group, to incorporate a reference to 'MPower', this will help avoid potential confusion with the Group's customers, suppliers and the Company's Shareholders. The Board believes the change of name will help to unify the Group, including with the integration of the EMC Business into the Group's operations.

2.2 Special resolution

Resolution 2 in the Notice proposes the special resolution of the Company's shareholders to approve the change of name. In order to be passed as a special resolution, Resolution 2 must be passed by at least 75% of the votes cast by shareholders entitled to vote on that resolution.

2.3 Directors' Recommendations

Each of the Directors believes that the approval by shareholders of the change of name will be in the best interests of the Company and the shareholders of the Company for reasons given above.

Each of the Directors approved the proposal to put Resolution 2 to the Company's shareholders, recommends that shareholders vote in favour of Resolution 2, and intends to vote in favour of Resolution 2 in respect of any Shares which he holds or controls.

Glossary

In this Explanatory Memorandum:

Acquisition means, in accordance with the Share Purchase Agreement, the proposed acquisition by the Company of the EMC Co Shares from Carnegie in consideration for the issue to Carnegie of the Acquisition Shares.

Acquisition Shares means 58,507,377 new ordinary fully paid share in the capital of the Company.

associate has the meaning given to it by Division 2 of Part 1.2 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.

ASIC means Australian Securities and Investments Commission.

Board means the board of the Company.

Carnegie means Carnegie Clean Energy Limited ACN 009 237 736.

Carnegie Capital Reduction means an equal reduction of Carnegie's share capital within the meaning of section 256C of the Corporations Act, on the terms set out in the notice of meeting to be issued by Carnegie to its shareholders for the purposes of considering the resolution referred to in paragraph (ii)(A) in section 1.2 of this Notice setting out the conditions precedent in the Share Purchase Agreement.

Carnegie Information means the following parts of this Explanatory Memorandum, other than information which is expressly attributed to the Company, its directors, officers, advisers or agents, or is derived from information provided by or on behalf of the Company:

(a) the text in sections 1.3 and 1.4 relating to Resolution 1;
(b) the text in section 1.9 describing the experience and qualifications of Mr Mark Woodall and Dr Michael Ottaviano relating to Resolution 1; and
(c) the text in sections 1.16(a), (b), (c), (d), (e) and (h) relating to Resolution 1.

Carnegie Party has the meaning given in the 'Responsibility statement' in the 'Important Notices' section of the Notice.

Company or **Tag** or **Tag Pacific** means Tag Pacific Limited ACN 009 485 625.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

EMC Business means the business of developing, financing, engineering procurement and construction of distributed renewable energy power systems as carried on by the EMC Vendors using the assets to be sold to EMC Co.

EMC Co means EMC Co Pty Ltd ACN 627 357 153.

EMC Co Shares means the whole of the issued share capital of EMC Co.

EMC/Lendlease Joint Venture means the joint venture created by the joint venture deed between Energy Made Clean Pty Limited (one of the EMC Vendors) and Lendlease Services Pty Limited (and the assignment of which to EMC Co is a condition precedent under the Sale of Business Agreement).

EMC Vendors means the following members of the Carnegie group of companies that collectively own the assets used in the carrying on of the EMC Business:

(a) Carnegie Clean Energy Limited ACN 009 237 736;
(b) Energy Made Clean Pty Ltd ACN 118 300 520;
(c) EMC Engineering Australia Pty Ltd ACN 126 741 900;
(d) Solar Farm Southern Cross Pty Ltd ACN 164 306 647;
(e) Solar Farm Moora Pty Ltd ACN 164 306 503; and
(f) Solar Farm Cunderdin Pty Ltd ACN 164 306 478.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice.

Group means the Company and each related body corporate of the Company.

Implementation Deed means the deed entered into between the Company and Carnegie as announced by the Company to ASX on 28 June 2018.

Independent Expert or **HLB Mann Judd** means HLB Mann Judd Corporate (NSW) Pty Ltd.

Independent Expert's Report means the report prepared by the Independent Export dated 23 August 2018 which accompanies this Explanatory Memorandum.

Listing Rules or **ASX Listing Rules** means the official listing rules of ASX.

Meeting or **Extraordinary General Meeting** means the extraordinary general meeting convened by the Notice.

Non Associated Shareholders means the Shareholders of the Company other than Carnegie and its associates.

Notice or **Notice of Meeting** means the notice of meeting accompanying this Explanatory Memorandum.

Option means an option to acquire a Share.

Proposal means the issue by the Company to Carnegie of the Acquisition Shares set out in Resolution 1 of the Notice.

Resolution means a resolution referred to in the Notice.

Sale of Business Agreement means the agreement between the EMC Vendors as vendor and EMC Co as purchaser for the sale of the assets of the EMC Business to EMC Co announced to the ASX on 17 August 2018.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means a registered holder of a Share.

Share Purchase Agreement means the agreement between Carnegie as vendor and Tag as purchaser for the sale of all the shares in EMC Co to Tag announced to the ASX on 17 August 2018.

Transaction means each of the transactions contemplated by the Sale of Business Agreement and the Share Purchase Agreement, including the Acquisition, and the shareholder resolutions required to be passed by the shareholders of Carnegie and Tag as conditions precedent to the Share Purchase Agreement and the issue of the prospectus by Carnegie required to satisfy the conditions precedent to the Share Purchase Agreement.

voting power has the same meaning as in the Corporations Act.

Appendix A – Independent Expert's Report

HLB Mann Judd Corporate

Australian Financial Services Licence Number 253134

Independent Expert's Report

Tag Pacific Limited

Proposed Issue of Shares to Carnegie Clean Energy Limited

23 August 2018

The Directors
Tag Pacific Limited
Level 32, Australia Square
264 George Street
SYDNEY NSW 2000

Dear Directors,

Independent Expert's Report for Non-Associated Shareholders of Tag Pacific Limited

1. Introduction

On 28 June 2018, the Board of Directors ("**the Board**") of Tag Pacific Limited ("**Tag**" or the "**Company"** or the "**Buyer**") announced that Tag had entered into an implementation deed with Carnegie Clean Energy Limited ("**Carnegie**") to acquire the EMC Business ("**Implementation Deed**") in exchange for the issue of ordinary shares in Tag ("**Consideration Shares**") provided the Consideration Shares are distributed by Carnegie to its shareholders by way of an in specie distribution (the "**Transaction**"). Based on the register of members of Carnegie as at the date of this Report, the proposed in specie distribution will result in none of the shareholders of Carnegie holding more than a 4% relevant interest in the issued securities of the Company as at the completion of the Transaction.

The consideration for the Transaction involves the issue of 58,507,377 ordinary shares to Carnegie. The issue of the Consideration Shares to Carnegie will result in Carnegie technically holding a temporary interest in Tag in excess of 20% and is subject to shareholders' approval which will be sought under item 7 section 611 of the Corporations Act.

2. Scope and Purpose

Corporations Act

Section 606 of the Act provides a general prohibition against any person acquiring a relevant interest in the voting shares of a public company, if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases from:

- 20% or below to more than 20%, or
- A starting point that is above 20% and below 90%.

Under Section 610 of the Act, the calculation of a person's voting power in the company involves determining the voting shares in the company in which the person, and the person's associates, have a relevant interest.

At the date of this Report, Carnegie holds no voting shares in Tag. If the Transaction is approved, Carnegie will be issued new Tag shares equivalent to 32% of the total Tag shares on issue, which will represent a maximum relevant interest in Tag of 37.04%. However, the Implementation Deed stipulates the Transaction is conditional on the approval of Carnegie's Shareholders for the in specie distribution to Carnegie Shareholders of the Consideration Shares received by Carnegie as consideration on a pro rata basis. Therefore, Carnegie will not hold a relevant interest in the Tag Consideration Shares following the in specie distribution.

The issue of the Consideration Shares to Carnegie would give Carnegie a relevant interest in an aggregate of more than 20% of the voting shares in the Company. However, Section 611 item 7 of the Act provides an exemption to this general prohibition where the increase is approved in a general meeting by shareholders of the company.

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Section 611 item 7 also states that the members of the company must be given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on the resolution. *Regulatory Guide 74: Acquisitions Approved by Members* (“**RG74**”) issued by the Australian Securities and Investment Commission (“**ASIC**”) provides additional guidance on the information to be provided to shareholders. RG74 states, inter alia, that the directors of the target company should provide members with an independent expert report or a detailed directors’ report on the Transaction.

ASX Listing Rules

ASX Listing Rule 7.1 states that subject to certain exemptions, a company without the approval of shareholders must not issue, or agree to issue new securities in a number that would exceed 15% of the total number of those securities currently on issue in a 12 month period.

However, ASX Listing Rule 7.2 (Exception 16), states shareholder approval in accordance with Listing Rule 7.1 is not required where approval for a transaction is being sought in accordance with item 7 of section 611 of the Corporations Act. As this is applicable to the current proposed Transaction, a separate shareholder approval is not required.

To meet its regulatory obligations and to ensure that Tag’s Shareholders are fully informed, Tag’s Independent Directors have engaged HLB Mann Judd Corporate (NSW) Pty Ltd (“**HLB Mann Judd**”) to prepare this Independent Expert’s Report (“**Report**”).

This Report has been prepared by HLB Mann Judd for inclusion in Tag’s Notice of Extraordinary General Meeting to assist Tag Shareholders not associated with the Transaction (“**Non-Associated Shareholders**”) to decide whether or not to approve the Transaction. The sole purpose of this Report is to express our opinion as to whether the Transaction is fair and reasonable to the Non-Associated Shareholders.

The Report may not be used for any other purpose, or by any other party, and HLB Mann Judd will not accept any responsibility for its use outside this purpose. No extract, quote or copy of this Report, in whole or in part, should be reproduced without the prior written consent of HLB Mann Judd, as to the form and context in which it appears.

This is a summary of HLB Mann Judd’s opinion as to the merits or otherwise of the Transaction. This summary should be considered in conjunction with, and not independently of, our detailed Report.

2.1 Basis of Evaluation

Our Report has been prepared having regard to Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 74: Acquisitions Approved by Members (“RG 74”), Regulatory Guide 111: Content of Expert Reports (“RG 111”) and Regulatory Guide 112: Independence of Experts (“RG 112”).

In terms of RG 111:

- An offer is “*fair*” if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison is made assuming 100% ownership of the target, irrespective whether the consideration is cash or scrip, and further assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length;
- An offer is “*reasonable*” if it is “*fair*”; and
- An offer may be reasonable if, despite being “*not fair*”, the expert believes there are other sufficient reasons for Shareholders to accept the offer in the absence of any higher bid before the close of the offer.

Our approach has therefore been to consider whether or not the Transaction is *“fair”* to the Non-Associated Shareholders in the manner outlined in section 11.

We have also considered whether the Transaction is "reasonable" in section 12, to the Non-Associated Shareholders by considering other factors relating to the Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Transaction.

In our opinion, though Carnegie would be issued with the equivalent of 32% of the issued ordinary shares in Tag on the completion of the Transaction, and hold a maximum relevant interest in Tag of 37.04%, thereby being deemed within the scope of a control transaction as defined by RG 111, we have not assessed the Transaction as a control transaction. As discussed above, a condition of the Transaction is approval by the Carnegie Shareholders of the in specie distribution of the Consideration Shares to the Carnegie Shareholders which, based on the register of members of Carnegie as at the date of this Report, will result in no Carnegie shareholder holding more than a 4% relevant interest in Tag at the completion of the Transaction.

3. Summary of Opinions

Transaction is Fair

We consider the Transaction to be **fair**. The Transaction is fair because the assessed preferred value of a Tag share following the Transaction exceeds the preferred value of a Tag share before the Transaction.

We have compared:

- the value of an existing Tag share before the Transaction; with
- the value of a share in Tag following the Transaction.

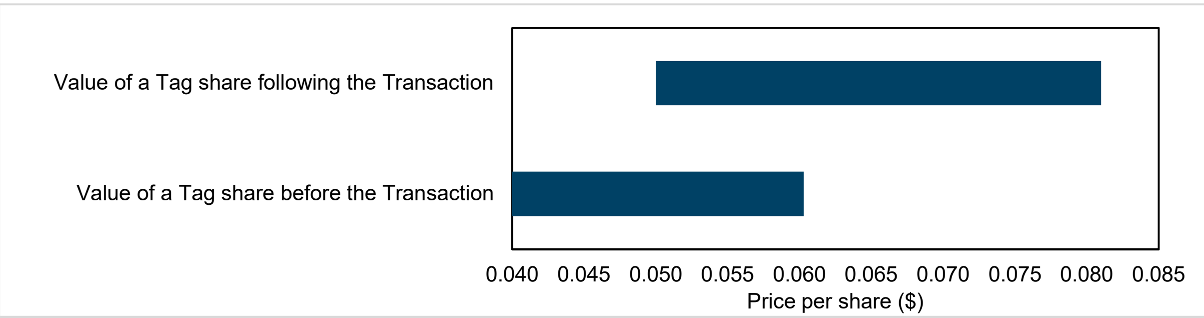
This is summarised in the table and chart below.

Table 1. Assessment of fairness

	Ref	Low ($)	Preferred ($)	High ($)
Value of a Tag share before the Transaction	9.5	0.040	0.050	0.060
Value of a Tag share following the Transaction	10.4	0.050	0.066	0.081

Source: HLB analysis

The assessed value ranges are illustrated in the following chart.



Transaction is Reasonable

In accordance with RG 111 the Transaction is **reasonable** as it is fair.

We have also considered the analysis in terms of both:

- Advantages and disadvantages of the Transaction; and
- Other factors, such as the position of Shareholders should the Transaction not proceed.

In our opinion, the position of the Shareholders should the Transaction be approved is more advantageous than the position of the Shareholders if the Transaction is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal, we believe the Transaction is reasonable for Shareholders.

The identified advantages and disadvantages of the proposed Transaction include those summarised below:

Reference	Description
Advantages:	
12.1.1	Increased size and scale
12.1.2	Increased prospects and brand recognition
12.1.3	Increased market capitalisation and share liquidity
12.1.4	Increased working capital funds
Disadvantages:	
12.2.1	Dilution of existing shareholders
12.2.2	Exposure to development project risks
12.2.3	Exposure to potential project liabilities
12.2.4	Increased demands on Board and Senior management

Other key matters we have considered in our assessment include:

- The likelihood and existence of superior alternative proposals being available to Tag;
- The potential taxation consequences of the Transaction;
- The position of the Tag shareholders should the Transaction not proceed; and
- Other factors we consider to be relevant to the Tag shareholders in their assessment of the Transaction.

Yours faithfully
HLB Mann Judd Corporate (NSW) Pty Ltd

Nicholas Guest
Director
Authorised Representative

Simon James
Director
Authorised Representative

HLB Mann Judd Corporate

Australian Financial Services Licence Number 253134

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4. Outline of the Transaction

4.1 Transaction

The Implementation Deed identifies the following components and actions required for the Transaction:

a) Carnegie will incorporate a new company ("**Newco**") to be the purchaser of the EMC business ("**EMC Business**") which will include the assets as discussed further in section 7.3 ("**EMC Assets**"). A sale agreement will be entered into by the members of Carnegie who currently own the EMC Assets ("**EMC Vendors**") as vendor and Newco as purchaser of the EMC Business ("**EMC Purchase Agreement**").

b) A sale agreement will be entered into by the shareholder(s) of Newco and Tag for the sale by those shareholders of all the issued share capital of Newco ("**Share Purchase Agreement**") to Tag.

c) In consideration for the purchase of all the issued capital of Newco, Tag will procure the issue of 58,507,377 Tag ordinary shares to Carnegie ("**Consideration Shares**").

The result of these transactions will result in Tag indirectly acquiring the EMC Business by acquiring all of the shares in Newco.

4.2 Acquisition of EMC by Tag

Under the Share Purchase Agreement, Tag will acquire the EMC Business in exchange for the issue of the Consideration Shares provided the Consideration Shares are distributed by Carnegie to its shareholders by way of an in specie distribution.

4.3 Conditions

Completion of the Share Purchase Agreement is subject to the satisfaction of the following Conditions Precedent:

a) Tag Shareholders approving the following resolution by the requisite majority, comprising:

   i. A resolution for the purposes of item 7, section 611 of the Corporations Act to approve Carnegie acquiring a relevant interest in the Company in excess of 20% as a result of the issue of the Consideration Shares,

   ("**Tag Resolution**").

b) Carnegie Shareholders approving the following resolution by the requisite majority, comprising:

   i. A resolution for the purposes of section 256C of the Corporations Act to approve the net assets of Carnegie being reduced by Carnegie making a pro rata in specie distribution of the Consideration Shares to the Carnegie Shareholders,

   ("**Carnegie Resolution**").

c) There is no Tag Material Adverse Change, meaning any change, effect, event or series of events, occurrence, state of facts or development being announced by Tag or becoming known to Carnegie that could (whether individually or when aggregated with others) reasonably be expected to be materially adverse to the business, assets and liabilities, financial condition or trading position, performance, operations, profitability or prospects of any member of the Tag Group or the Tag Group taken as a whole in the period from the date of the Share Purchase Agreement and the date of completion;

d) There is no Carnegie Material Adverse Change, meaning any change, effect, event or series of events, occurrence, state of facts or development being announced by Carnegie or becoming known to Tag that could (whether individually or when aggregated with others) reasonably be expected to be materially adverse to the business, assets and liabilities, financial condition or trading position, performance, operations, profitability or prospects of the EMC Business in the period from the date of the Share Purchase Agreement and the date of completion;

e) Completion of the sale agreement to be entered into by the EMC Vendors as vendor and Newco as purchaser of the EMC Business on terms detailed in clause 5 of the Implementation Deed and such other terms as Tag and Carnegie may agree, acting reasonably ("**EMC Purchase Agreement**");

f) Carnegie having delivered to Tag a copy of a notice issued by the Australian Taxation Office confirming Newco, the EMC Vendors and Clear Energy Pty Ltd ACN 129 057 030 have formed a tax consolidated group within the meaning of the Income Tax Assessment Act 1997 (Cth);

g) Tag having raised, or having received binding commitments (on terms satisfactory to Tag and Carnegie) that will enable Tag to raise, at least $4,000,000 to be used to fund future working capital requirements;

h) A prospectus being lodged with ASIC and a copy being despatched to each of the eligible Carnegie Shareholders in relation to the proposed reduction in capital of Carnegie by way of in specie distribution of the Consideration Shares;

i) The Commonwealth Bank of Australia providing consent to the Transaction in accordance with its facility agreement with the Carnegie Group;

j) Carnegie having delivered evidence to Tag that an ASIC form 6010 has been lodged with ASIC in respect of the voluntary deregistration of EMC Kimberly Pty Limited ACN 611 515 970; and

k) No person has obtained a relevant interest in more than 15.0% of the voting shares in Carnegie,

(together, the **"SPA Conditions"**).

Each of Tag and Carnegie must use its reasonable endeavours to procure satisfaction of the SPA Conditions on or before 31 October 2018 ("**SPA Condition Deadline Date**") and keep the other informed of any circumstance which may result in a SPA Condition not being fulfilled by the SPA Condition Deadline Date.

Tag and Carnegie must promptly and in any event before the SPA Condition Deadline Date notify the other of Tag and Carnegie in writing if it becomes aware that a SPA Condition is satisfied or incapable of being satisfied.

4.4 Proposed Capital Raise

As stated in 4.3g) above, a condition of the Transaction is Tag raising at least $4 million to be used to fund future working capital requirements. At the time of this Report the Tag management have advised the specific details in relation to the capital raise had not been finalised, however based on an assumed issue price per new share of $0.10 (being the volume weighted price of Tag shares in the 10 trading days up to 20 July 2018, rounded to the nearest cent), 40,000,000 new Tag shares would be issued. We have utilised these values within our analysis. We note the number of shares that may be issued under the capital raise could be higher or lower should a different issue price be determined, this would consequently alter the calculated net asset value per share calculated post-transaction.

4.5 Number of Shares as a result of the Transaction and Fundraising

The table below provides details on the proposed impact the issue of the Consideration Shares and the proposed capital raise are expected to have on Tag's capital structure, following completion of the Transaction and related matters.

Table 2. Summary of Tag expanded Shares on issue as a result of the Transaction

	Ref	Number of shares
Total shares on issue pre-Transaction (pre capital raise)	6.7.1	124,328,175
New shares from capital raise	4.4	40,000,000
New shares issued to Carnegie Shareholders (Consideration Shares)	4.1	58,507,377
Total shares on issue post-Transaction		222,835,552

Source: Tag shareholder register as at 18 June 2018 and Implementation Deed

Under section 608(3)(a) of the Corporations Act, a person has a relevant interest in any securities that a body corporate has a relevant interest in, where that person's voting power in that body corporate is above 20%. Tag has a relevant interest in 9,208,930 Shares in itself as a result of an existing pre-emptive rights arrangement with a group of Shareholders that hold a total of 9,208,930 Tag shares. As a result of Carnegie's voting power in Tag increasing above 20% due to the Transaction, Carnegie will also obtain a relevant interest in the 9,208,930 Shares in which Tag currently holds a relevant interest, under section 608(3)(a) of the Corporations Act.

The voting power that Carnegie will hold due to the Consideration Shares is 32.01% (prior to the new capital raising) and the voting power that Carnegie will have represented by the 9,208,930 shares in which Tag has a relevant interest is 5.03%, being a total voting power of 37.04%.

4.6 Net tangible assets

Completion under the Share Purchase Agreement is required to occur 2 days after all of the SPA Conditions have either been satisfied or waived in accordance with the Share Purchase Agreement ("**Completion Date**"). Under the terms of the Share Purchase Agreement, the parties are required to agree, following completion, completion accounts of Newco as at the Completion Date and a calculation of the net consolidated tangible assets of Newco as at the Completion Date ("**NTA**"). The Share Purchase Agreement contains an agreed estimated NTA ("**Estimated NTA**") of $4.2 million, with cash required to be paid by Carnegie in the event actual NTA is lower than Estimated NTA.

5. Basis of Assessment

5.1 Corporations Act

5.1.1 Interest greater than 20%

Section 606 of the Act provides a general prohibition against any person acquiring a relevant interest in the voting shares of a public company, if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases from:

- 20% or below to more than 20%, or
- A starting point that is above 20% and below 90%.

Under Section 610 of the Act, the calculation of a person's voting power in the company involves determining the voting power in the company in which the person, and the person's associates, have a relevant interest.

Following the Transaction, Carnegie will temporarily increase their voting power in the Company from below 20% to greater than 20%, preceding the in specie distribution of this voting power to Carnegie Shareholders. However, Section 611 item 7 of the Act provides an exemption to this general prohibition where the increase is approved in a general meeting by Shareholders of the company.

Section 611, item 7 also states that the members of the company must be given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on the resolution.

5.2 ASX Listing Rules

As noted previously in accordance with ASX Listing Rule 7.2 (Exception 16), separate shareholder approval in accordance with Listing Rule 7.1 is not required for the Transaction as approval is being sought in accordance with item 7 of section 611 of the Corporations Act.

5.3 ASIC Regulatory Guide 111

In preparing our Report we have had regard to the guidelines set out in Australian Securities & Investments Commission ("**ASIC**") Regulatory Guide 111 *Content of expert reports* ("**RG 111**"). Neither the Act nor the ASX Listing Rules define the term "*fair and reasonable*"; however RG 111 provides that each of these criteria be assessed individually and not as a compound phrase. RG 111 states that:

- An offer is "*fair*" if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison is made assuming 100% ownership of the target, irrespective whether the consideration is cash or scrip, and further assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length ("*Fair Value*");
- An offer is "*reasonable*" if it is "*fair*";
- An offer may be reasonable if, despite being "*not fair*", the expert believes there are other sufficient reasons for Shareholders to accept the offer in the absence of any higher bid before the close of the offer.

Our approach has therefore been to consider whether or not the Transaction as a whole, is "fair" to the Tag Shareholders not associated with the Transaction ("**Non-Associated Shareholders**") in the manner outlined in section 11.

RG 111 requires an independent expert to evaluate Corporations Act item 7 of s611 transactions as 'control transactions' as if they were a takeover offer.

RG 111 defines a takeover offer as being fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer. Accordingly, HLB Mann Judd has assessed whether the Transaction is fair by comparing the value of a Tag share before the Transaction to the effective consideration offered to Tag's shareholders. As the existing Tag shareholders will retain their Tag shares if the Proposed Transaction proceeds (as opposed to exchanging them for cash or the acquirer's scrip as in a takeover offer) the effective consideration was assessed to be the value of a Tag share following the Proposed Transaction on a minority basis.

A valuation of this nature should also meet the requirements of a "*Valuation Engagement*" as defined by APES 225 Valuation Services ("**APES 225**") issued by the Accounting Professional & Ethical Standards Board.

We have also considered whether the Transaction as a whole is "reasonable" to the Non-Associated Shareholders by considering other factors relating to the Transaction as a whole which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Transaction.

5.4 Purpose

This Report has been prepared by HLB Mann Judd for inclusion in Tag's Notice of Extraordinary General Meeting ("**Notice of EGM**") to assist Non-Associated Shareholders to decide whether or not to approve the Transaction. The sole purpose of this Report is to express our opinion as to whether the Transaction is fair and reasonable to the Non-Associated Shareholders.

The Report may not be used for any other purpose, or by any other party, and HLB Mann Judd will not accept any responsibility for its use outside this purpose. No extract, quote or copy of this Report, in whole or in part, should be reproduced without the prior written consent of HLB Mann Judd, as to the form and context in which it appears.

5.5 Limitations and Reliance on Information

Our opinion is based on market, economic and other factors existing at the date of this Report. Such conditions can change significantly in short periods of time.

Our Report is based upon financial and other information provided by Tag and Carnegie's representatives, contractors, advisors, agents and/or related parties ("**Providers**"). In forming our opinion we have reviewed and relied upon this information, unless otherwise stated.

The information provided was evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Transaction is fair and reasonable. Our enquiries and procedures do not constitute an audit, extensive examination, verification or "due diligence" investigation. None of these assignments has been undertaken by HLB Mann Judd for the purposes of this Report.

In forming the opinion expressed in this Report, the opinions and judgments of management of Tag have been considered. Although this information has been evaluated through analysis, enquiry and review to the extent practical, inherently such information is not always capable of independent verification.

In forming our opinion, we have considered the interest of Non-Associated Shareholders as a whole. This Report therefore does not consider the financial situation, objectives or needs of individual Shareholders. It is not practical to assess the implications of the Transaction on individual Shareholders as their financial circumstances are not known.

The decision of Shareholders as to whether or not to approve the Transaction is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to approve or reject the Transaction may be influenced by his or her particular circumstances, we recommend that individual Shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

Our opinion is based solely on information available as at the date of this Report as set out in Appendix 2 of this Report. We note that we have not undertaken to update this Report for events or circumstances arising after the date of this Report, other than those of a material nature and contemplated by RG 111 which occurs prior to the date of the Extraordinary General Meeting ("**EGM**")

6. Overview of Tag

6.1 Overview

Tag is an investment company based in Sydney and listed on the ASX. Tag previously invested in a range of companies and activities which have been consolidated to operate under the MPower brand. Tag's mission is to invest in the power industry in a manner that creates and enhances value over time.

MPower is an Australian subsidiary of Tag providing innovative, reliable products and power solutions both nationally and internationally. By combining new and old technologies with an experienced workforce, MPower is able to create dependable products and solutions. Products and solutions include solar panels, batteries, engineering, technical support and full turn-key systems.

6.2 Summarised History

- "Tag" is an acronym for 'The Anthony Group', a private group of companies originally established in New Zealand.
- In 1983 'Tag Corporation Ltd' was established as a listed investment vehicle on the New Zealand Stock Exchange.
- By 1990 'Tag Pacific Limited' was established and listed on the ASX, becoming a parent entity of the group and relocating its head office from New Zealand to Sydney.
- In March 2001 Tag sold Anglo Engineering Limited.
- In October 2001 MPower Products Pty Ltd ("**MPower Products**"), a subsidiary of Tag, acquired an emergency and exit lighting business known as Bardic.
- In September 2005 MPower Products acquired Advanced Power Pty Ltd for $3.5m.
- In May 2010 CSR Fricker Ceiling Systems acquired the Potter Interior Systems and Comprador Pacific businesses from Tag.
- In November 2010 MPower Group Pty Limited ("**MPower Group**"), a subsidiary of Tag, acquired Solaris Technology Pty Limited for $2m.
- In July 2011 Tag divested of its interest in iSOFT Group Limited when CSC Computer Sciences Australia Holdings Pty Limited made an offer to all iSOFT Group Limited shareholders.
- In December 2011 Tagpac Securities Limited ("**Tagpac Securities**"), a subsidiary of Tag, and other shareholders sold Unique World Pty Ltd to Jacobs Australia Pty Limited. In a related transaction RecordPoint Software, previously owned by Unique World Pty Ltd, completed a management buyout. Tagpac Securities received total consideration of $5.4m for both transactions.
- In September 2012 Tag acquired the remaining 40.7% stake in MPower Group for $5.7m and paid a fully franked dividend to Tag shareholders of approximately $3.5m.
- In September 2014 MPower Group acquired certain assets from Ingenero Pty Ltd.
- On 27 June 2018 Tag signed an implementation deed to acquire the EMC Business from Carnegie.

6.3 Corporate Structure

The corporate structure of Tag and its associated entities is set out below:

Table 3. Summary of Tag subsidiaries

Entity	Place of incorporation	% Owned 2017	% Owned 2016
Electro Securities Pty Limited	Australia	100	100
Fibumi Pty Ltd (iii)	Australia	100	100
MPower Business Services Pty Limited	Australia	100	100
MPower Group Pty Limited	Australia	100	100
MPower Nominees Pty Limited	Australia	100	100
MPower Products Pty Limited	Australia	100	100
MPower Projects Pty Limited	Australia	100	100
ACN 071 129 738 Pty Limited	Australia	100	100
Power Property Nominees Pty Ltd (i)	Australia	75	75
Power Property Unit Trust (i)	Australia	55	55
ShareCover Pty Limited	Australia	100	100
ShareCover Services Pty Limited	Australia	100	100
Tagpac Financial Services Pty Limited	Australia	100	100
Tagpac Securities Ltd (iii)	Australia	100	100
Techno Holdings Pty Limited (iii)	Australia	100	100
Flatbat Ltd (ii)	New Zealand	100	100
MPower Pacific Limited (ii)	New Zealand	100	100
PISL Limited (ii)	New Zealand	100	100
Spedding Ltd (ii)	New Zealand	100	100
MPower Samoa Limited (ii)	Samoa	100	100

(i) The Tag group has majority ownership and board representation of all non-wholly owned subsidiaries. Percentages have been rounded.
(ii) Companies incorporated in New Zealand and Samoa carry on business primarily in their respective countries.
(iii) Deregistered on 19 July 2017.

Source: Tag audited FY 2017 Annual Report

6.4 Board and Senior Management

Peter Wise – Chairman, Executive

Appointed Chairman and board member in 1986. Chairman of MPower Group Pty Limited and other subsidiaries within the Tag Group.

Nathan Wise – Chief Executive Officer, Managing Director

Appointed Chief Executive Officer and Managing Director in 2012 after serving as Head of Corporate Development from 2003. Company Secretary from 2006 until 2012. Director of MPower and a number of controlled entities within the Tag Group. Practiced as a corporate and commercial lawyer before joining the Tag Group.

Gary Cohen – Director (non-executive)

Director since 1999. CEO of Invigor Group Limited.

Robert Constable – Director (non-executive)

Director since 1986. Former positions include secretary of the Beecham Group, director of Sime Darby Holdings Limited and deputy chief executive of Bousteadco Singapore Limited.

Robert Moran – Director (non-executive)

Director since 2002. Chairman of Oceania Capital Partners. Has extensive experience in principal investing and previously practiced as a corporate and commercial lawyer.

6.5 Financial Performance

The following table summarises Tag's historic audited and reviewed financial performance for the year ended 30 June 2017 and half year ended 31 December 2017:

Table 4. Tag Historic Financial Performance

$000s	Half Year Ended 31-Dec-17 Reviewed	Year Ended 30-Jun-17 Audited
Total Income	**21,729**	**40,243**
Expenses		
Materials and consumables used	(14,296)	(25,143)
Advertising and marketing expense	-	(173)
Depreciation and amortisation expense	(147)	(315)
Employee benefits expense	(5,642)	(12,366)
Finance costs	(161)	(362)
Freight and transport expense	(378)	(813)
Occupancy expense	(461)	(1,160)
Other expenses	(1,610)	(3,766)
Total Expenses	**(22,695)**	**(44,098)**
Operating (Loss)/Profit	**(966)**	**(3,855)**
Income tax (expense)/benefit	-	-
Net (Loss)/Profit after Tax	**(966)**	**(3,855)**
Loss attributable to:		
Owners of the company	(983)	(3,887)
Non-controlling interest	17	32
	(966)	(3,855)

Source: Tag's financial statements for the year ended 30 June 2017 (audited) and half year ended 31 December 2017 (reviewed).

We note the following with regard to Tag's financial performance:

- Total income of $21.7m for the half year ended 31 December 2017 is 3% lower than the prior comparative period however is 22% higher than the preceding 6 months.
- Employee benefits expense has decreased as a percentage of total income following efforts to contain costs across MPower, leading to a reduced net loss after tax.
- The MPower segment delivered a marginal profit of $18k for the half year ended 31 December 2017 as a result of a strong order book and reduced net operating expenses. While Tag's property investments also delivered a profit for the period, the company experienced an operating loss after accounting for unallocated costs, depreciation and amortisation and finance costs.

6.6 Financial Position

The following table summarises Tag's historic audited and reviewed financial position as at 30 June 2017 and 31 December 2017.

Table 5. Tag Historic Financial Position

$000s	Half Year Ended 31-Dec-17 Reviewed	Year Ended 30-Jun-17 Audited
Current assets		
Cash and cash equivalents	5,427	3,855
Trade & other receivables	9,601	9,486
Inventories	8,155	7,449
Other assets	975	1,428
Other financial assets	68	21
	24,226	22,239
Non current assets		
Property, plant & equipment	2,870	2,855
	2,870	2,855
Total Assets	**27,096**	**25,094**
Current liabilities		
Trade & other payables	11,983	8,628
Borrowings	4,323	4,204
Provisions	1,409	1,624
Other liabilities	477	903
	18,192	15,359
Non current liabilities		
Borrowings	1,195	1,228
Provisions	63	90
Other liabilities	82	-
	1,340	1,318
Total Liabilities	**19,532**	**16,677**
Net Assets	**7,564**	**8,417**

Source: Tag's financial statements for the year ended 30 June 2017 (audited) and half year ended 31 December 2017 (reviewed).

We note the following with regard to Tag's financial position:

- Whilst cash for the half year ended 31 December 2017 has increased, as a result of positive operating cash flow, Tag expects the natural cash flow cycles relating to project activities will drive greater cash outflows during the second half of FY2018.
- Intellectual property and future tax benefits have not been recognised within the statement of financial position.
- Borrowings primarily relate to secured external bank finance facilities.

6.7 Capital Structure

Tag currently has ordinary Shares and unlisted executive share options in its capital structure. Further detail on each component is provided below.

6.7.1 Shares

Tag had 124,328,175 ordinary Shares on issue on the day prior to the issue of this Report. The largest 20 Shareholders, as contained in Tag's share register as at June 2018, represent holdings of approximately 79% of the issued Shares. The list of Tag's largest 20 shareholders as at 18 June 2018 is detailed below. We understand that there have been no material movements in this list up to the date of this Report.

Table 6. Tag's largest 20 shareholders as at 18 June 2018:

Shareholder	Shares	% of Issued Capital
Anthony Australia Pty Ltd	56,946,518	45.80%
Kv Management (Nominees) Pty Ltd	8,914,152	7.17%
Pacific Spectrum Investments Pty Ltd	6,214,125	5.00%
Mr George Chien-Hsun Lu	3,350,000	2.69%
Mrs Penelope Margaret Siemon	2,275,138	1.83%
Mr George Chien Hsun Lu & Mrs Jenny Chin Pao Lu	2,058,650	1.66%
Jbwere (Nz) Nominees Limited	2,014,807	1.62%
Paul Douglas Sharp & Lisa Marie Sharp	1,940,737	1.56%
Asce Engineering Pty Ltd	1,574,747	1.27%
Mr Dwayne Paul Lange & Mrs Angela Gaye Lange	1,526,275	1.23%
Clyme Pty Ltd	1,423,417	1.14%
Dr John Aloizos & Mrs Muriel Patricia Aloizos	1,379,904	1.11%
Mr Brian Robert O'Malley	1,342,344	1.08%
Andrew Haavisto	1,337,143	1.08%
Mr Paul Douglas Sharp	1,054,068	0.85%
Mrs Janet Eugenie Salek	1,000,000	0.80%
Mrs Nicola Helen Moran	957,325	0.77%
Mr David C Scicluna & Mr Anthony A Scicluna	940,000	0.76%
T & T Management Pty Ltd	928,298	0.75%
Castle Partners Pty Ltd	889,175	0.72%
	98,066,823	78.88%
Other shareholders	26,261,352	21.12%
Total	**124,328,175**	**100.00%**

Source: Tag shareholder register as at 18 June 2018

The Directors and Company Secretary collectively hold a direct and indirect interest in approximately 61 million Shares, representing approximately 49.4% of the issued Shares.

6.7.2 *Unlisted Options*

A summary of the unlisted executive share options Tag had on issue as at 30 June 2018 is contained below:

Table 7. Tag unlisted executive share options as at 30 June 2018

Exercise price ($)	Vesting date	Expiry	Number of options
0.07	1-Mar-19	31-May-19	541,500
0.07	1-Mar-20	31-May-20	541,500
0.07	1-Mar-21	31-May-21	722,000
0.10	1-Mar-19	31-May-19	390,000
0.10	1-Mar-20	31-May-20	390,000
0.10	1-Mar-21	31-May-21	520,000
			3,105,000

Source: Tag executive share option plan register as at 30 June 2018

Based on the recent quoted share price analysis detailed in section 9.4 of this Report, we have determined the options with the $0.07 exercise price to be "in the money", but note that none of these options have yet vested so all have been excluded for the purpose of our assessment of value.

7. Overview of Carnegie and EMC

7.1 Overview

Carnegie is an ASX listed company developing projects in solar energy, battery storage and wave energy. Carnegie owns 100% of the intellectual property for CETO Wave Energy Technology, which it developed, as well as the EMC Business, as such the EMC Business represents only one component of the historic operations of Carnegie.

EMC is a leading Australian developer of solar and battery microgrids, providing off-grid power and utility scale solutions to island, remote and fringe of grid communities.

7.2 Summarised History

Summarised history relating to Carnegie and EMC includes:

- In April 2016 Carnegie completed an acquisition of a 35% stake in EMC for $4.8m, allowing Carnegie to become a party to EMC's shareholders agreement and entitled to a seat on the board of directors.
- In December 2016 EMC and Sumitomo Electric Industries signed a Memorandum of Understanding with TNG Limited to collaborate on the promotion, development and growth of Australia's Vanadium Redox Flow Battery Market.
- In December 2016 EMC signed a Joint Venture Agreement with Lendlease Services Pty Ltd ("**EMC LL JV Deed**"), part of the Lendlease Group ("**Lendlease**") which would provide opportunities to increase EMC's capacity to bid for and deliver a broader range of solar, battery energy storage systems ("**BESS**") and microgrid opportunities within Australia by leveraging off of Lendlease's national footprint.
- In December 2016 Carnegie acquired the remaining 65% interest in EMC for consideration of $14m comprising shares, cash and contingent cash.
- In March 2017 EMC announced the opening of its Broome Facility. This follows on from the Joint Venture Agreement between EMC and Eastern Guruma Pty Ltd ("Eastern Guruma") to create Energy Made Clean Kimberley ("**EMCK**"). This partnership enabled EMC to expand into the northern Western Australian market.

- In March 2017 EMC announced it is developing a solar power station in Northam, Western Australia, representing the first large scale solar project to be delivered as part of the joint venture with Lendlease.
- In December 2017 EMC was commissioned to assess alternative power options for TNG Limited's flagship Mount Peak Vanadium-Titanium-Iron Project in the Northern Territory.
- In February 2018 EMC and Lendlease were awarded a $6.8m contract for the supply, delivery and installation of a BESS facility in Kalbarri, located 500km north of Perth, for Western Power.
- In March 2018 construction commenced for the Northam Solar Farm project which was delivered by the EMC/Lendlease joint venture.
- On 27 June 2018 Carnegie signed an implementation deed for Tag to acquire EMC.

7.3 EMC

Under the Transaction, Tag will acquire the EMC Business. The EMC Business uses the EMC Assets which comprise of tangible assets including cash, inventory and property plant and equipment, intangible assets including goodwill, EMC contracts ("**EMC Contracts**") and intellectual property, and liabilities relating to employee entitlements for the transitioning employees.

We have been advised that detailed historic financial information in relation to the EMC Business and the EMC Assets subject to the Transaction, cannot be reliably extracted from the Carnegie financial information as the EMC Business has not historically been reported as one distinct and separate business unit within Carnegie.

EMC Contracts:

The EMC Contracts include a number of contracts awarded to the joint venture created by the EMC LL JV Deed, including Northam Solar Farm, Summerhill Solar Farm and Kalbarri Micro Grid. EMC holds a 50% interest in each of these projects by virtue of EMC's 50% interest in that joint venture.

- Northam Solar Farm
  - Contract awarded to EMC/Lendlease Joint Venture
  - Design, construct, operate and maintain 9.9MW grid connected solar farm
  - Approximately 34,000 solar panels on a 25 hectare site at Northam WA
  - Commissioning late 2018
  - Client is Carnegie / Indigenous Business Australia / Bookitja
  - Contract sum is $15,598,167 which is payable in instalments subject to meeting agreed milestones
  - Defects liability period is 36 months from practical completion
  - The client has the right to terminate at any time provided all costs incurred to date of termination are paid and security bond is returned

- Summerhill Solar Farm
  - Contract awarded to EMC/Lendlease Joint Venture
  - Nationally competitive tender process
  - Utility scale solar farm connected to the National Electricity Market
  - Design, construct, operate & maintain a $7m 5MW solar farm
  - Location is the former landfill site at the Summerhill Waste Management Centre in Newcastle NSW
  - The solar farm utilises a ground mounted fixed tilt system using an optimised piling system to suit the site topology
  - It will have the capacity for the future addition of a Battery Energy Storage System (BESS)
  - Commissioning late 2018
  - Client is City of Newcastle and is part of the Council's plan to cut its emissions by 30% by 2020

  - Contract sum is $7,096,908.50 which is payable in instalments subject to meeting agreed milestones
  - Defects liability period is 12 months from practical completion
  - Contract can only be terminated for usual events of default

- Kalbarri Microgrid
  - Contract awarded to EMC/Lendlease Joint Venture
  - Supply, delivery and installation of a $6.6m 5MW BESS
  - The BESS will have a 4.5MWh energy capacity and a minimum 2MWh that is accessible at any time for reliability back-up services
  - It will form part of the largest microgrid in WA
  - Location is Kalbarri, approximately 500km north of Perth
  - Construction is to begin in late 2018 – operations to commence mid 2019
  - Client is Western Power (WA State Government utility)
  - Intended to deliver energy security to Kalbarri, a regional area of WA which has in the past had disruptions to its energy supply because of its remote location
  - Contract sum is $6,600,811 which is payable in instalments subject to meeting agreed milestones
  - Defects liability period is 24 months from practical completion and 10 years in respect of batteries
  - The client has the right to terminate at any time provided all costs incurred to date of termination are paid and security bond is returned.

***EMC Assets*:**

The Implementation Deed includes a schedule detailing the specific EMC Assets and an Estimated Net Tangible Asset clause which requires the value of the EMC Assets to be delivered to Tag by Carnegie at the date of the completion of the Transaction to be at least $4.2 million.

The Share Purchase Agreement requires Carnegie to pay to Tag on the date of completion of the Share Purchase Agreement an amount in cash which represents the difference between the Estimated Completion Net Tangible Asset value and $4.2 million.

The Implementation Deed requires Carnegie to procure the preparation of completion accounts containing all EMC Assets and delivered to Tag within 30 days of the completion of the transaction. If Tag and Carnegie cannot agree the value of the EMC Assets contained within the completion accounts, the Implementation Deed provides that an independent accountant will be appointed to determine the values within the completion accounts. If after the preparation of the completion accounts there is a variance between the Estimated Net Tangible Asset value and the actual completion Net Tangible Asset value then either party will make an adjustment payment such that the value of the EMC Net Tangible Assets acquired by Tag is equivalent to $4.2 million.

A summary of the EMC Net Tangible Assets as detailed in section 1.7 of the Notice of Meeting is contained in *Table 8* below. This is an estimate of the EMC Asset values at the completion date based on un-audited financial information provided by Carnegie and consideration of the realisable value of the assets.

Table 8. EMC Assets

Item	Estimated Completion value ($)
Cash and cash equivalents	3,127,000
Trade and other receivables	832,000
Inventory	100,000
Plant and Equipment	608,000
Employee Entitlements	(467,000)
Total EMC Assets	**4,200,000**

The asset values have been assessed based on the recognised accounting book values adjusted for depreciation, amortisation and impairment as required. The cash and cash equivalents balance is calculated as the difference between the Total Estimated Completion Net Tangible Asset value and $4.2 million.

Based on our review of the EMC Asset values and the application of agreed values or cost as the valuation approach, we have determined the realisable value of the EMC Assets will be no less than $4.2 million at completion. The ultimate value of the specific assets and liabilities of the EMC business and any intangible assets arising from the Acquisition will be determined following the preparation of the completion accounts after the completion of the Acquisition and will be calculated and recognised within the Tag financial statements in accordance with the requirements of the Australian Accounting Standards.

As previously noted, the Share Purchase Agreement contains an agreed completion Net Tangible Asset ("NTA") value for the EMC Assets of $4.2 million, with cash required to be paid by Carnegie to Tag equivalent to any shortfall in the actual NTA value at completion and $4.2 million.

We have concluded and adopted a net asset value of $4.2 million for the EMC Business as the value of net tangible assets and cash to be acquired by Tag on completion will be no less than $4.2 million.

7.4 Financial Performance and Position

We have been advised separate historic financial information for the EMC Business and EMC Assets subject to the Transaction, other than the information contained in section 7.3 of this report, cannot be separately extracted from the Carnegie financial information as the EMC Business has not been historically operated and reported as one distinct and separate business unit within Carnegie.

As detailed in section 7.3 of this report, based on the terms contained within the Share Purchase Agreement we have adopted a market value of the EMC Assets of $4.2 million for the purpose of our evaluation.

7.4.1 Shares

Carnegie had approximately 2.9 billion ordinary Shares on issue on the day prior to the issue of this Report. The largest 20 Shareholders hold, as contained in Carnegie's share register in May 2018, approximately 30% of the issued Shares. The list of Carnegie's largest 20 shareholders as at 24 May 2018 is detailed below. We are not aware of any material movements in this list up to the date of this Report.

Table 9. Carnegie's largest 20 shareholders as at 18 June 2018

Shareholder	Shares	% of Issued Capital
Mr John Rix Davidson	297,366,738	10.32%
J P Morgan Nominees Australia	118,039,813	4.10%
Log Creek Pty Ltd	116,819,904	4.05%
Bnp Paribas Nominees Pty Ltd	54,545,231	1.89%
Mr Michael Ottaviano	35,000,000	1.21%
Cathben Pty Ltd	30,821,026	1.07%
Citicorp Nominees Pty Limited	28,414,695	0.99%
Clean Energy Investment	26,185,457	0.91%
Mr Matthew Peter Fraser	19,265,032	0.67%
Bond Street Custodians Limited	19,000,000	0.66%
Hsbc Custody Nominees	17,067,319	0.59%
Wolf Capital Pty Ltd	16,666,667	0.58%
Asymmetric Arbitrage Ltd	14,035,088	0.49%
Richcab Pty Ltd	12,727,752	0.44%
Alcock Superannuation Fund Pty	12,500,000	0.43%
Mr Christopher D Dale	10,000,000	0.35%
Kattaganna Pty Ltd	10,000,000	0.35%
Mr Malcolm John Menday	8,822,226	0.31%
Richcab Pty Limited	8,753,000	0.30%
Log Creek Pty Ltd	8,545,455	0.30%
	864,575,403	30.00%
Other shareholders	2,016,877,047	70.00%
Total	**2,881,452,450**	**100.00%**

Source: Carnegie shareholder register as at 24 May 2018

The total number of Carnegie shareholders exceeds 10,000.

8. Industry profile

MPower and EMC operate in the energy generation industry by delivering energy generation products and solutions to its clients. Both companies have a focus on renewable energy generation, through sources such as solar power.

This section focuses on the operations of the wind and other electricity generation in the Australian market.

8.1 Historical performance

Currently the industry in Australia generates annual revenue of $2.2 billion[1].

In the five years to 2018, industry revenue has grown at an annualised rate of 10.8%. Revenue was highly volatile between 2013-2016 due to the introduction of the carbon tax and its subsequent removal, and is expected to rapidly rise through 2018 due to rising wholesale electricity prices driven by regulatory uncertainty, the closure of baseload coal-fired power plants and rising gas costs.

8.2 Industry outlook

The industry outlook is uncertain due to the end of the Renewable Energy Target ("RET") policy and no formal initiative currently in place to act as a replacement, which may reduce new investment in the industry. However, the Federal Government's Finkel review in June 2017 outlined a plan to endorse investment in low carbon-intensive generation. The industry is also likely to see the establishment of facilities previously proposed and an increase in large-scale solar plants as a share of revenue. Due to an expected decline in industry revenue resulting from a fall in wholesale prices driven by increased generation output, industry revenue is projected to fall at an annualised 3.2% over the five years to 2022-2023, to a total of $1.8 billion.

8.3 Customer base

Electricity generated from renewable energy sources is sold to wholesale markets who then on-sell to a range of end markets, including manufacturers, consumers, utility providers and primary producers.

Electricity is only sold domestically, due to the absence of large-scale transport and storage technology, therefore companies do not engage in imports and exports and industry revenue is equal to domestic demand.

8.4 Demand determinants

Demand is driven by trends in household, industrial and commercial energy consumption. Price is another large determinant of the market, with demand likely to increase in the long term as renewable energy generation becomes cheaper. While inputs are cheaper compared to fossil fuel generators, the renewable generation industry experiences higher infrastructure and development costs.

Rising environmental awareness amongst consumers also affects demand for renewable energy.

8.5 Competitive landscape

The industry has a low degree of market share concentration, with the four largest players expected to account for under 40% of industry revenue. The current regulations and policies encourage players in the electricity sector to enter renewable energy which has caused an increase in small-scale projects and joint ventures over the past five years, resulting in a decline in market share concentration.

The industry experiences high barriers to entry with high research and development activity resulting in a higher barrier to be able to develop viable technology to compete in the industry.

[1] IbisWorld: Wind and Other Electricity Generation in Australia (April 2018)

9. Valuation of Tag before the Transaction

9.1 Value Definition

HLB Mann Judd's valuation of Tag before the Transaction has been made on the basis of fair market value defined as the price that could be realised in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing, but not anxious seller and a willing, but not anxious, buyer acting at arm's length.

9.2 Valuation Methodology for Tag – Before the Transaction

In selecting an appropriate valuation methodology, we considered common market practice and the commonly used valuation methodologies recommended in RG 111. These are summarised below.

- Discounted cash flow method ("**DCF**"): the net present value of future cash flows earnings and the estimated realisable value of any surplus assets;
- Application of an earnings multiple to future maintainable earnings ("**FME**"): the value of operations based on the capitalisation of future maintainable earnings, added to the estimated realisable value of any surplus assets;
- Net asset value ("**Net Asset Value**" or "**NAV**"): the amount that would be available for distribution to security holders on an orderly realisation of assets;
- Quoted market price of listed securities ("**QMP**"): the quoted price for listed securities in a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale;
- Recent offers received: the attributable value based on any recent genuine offers received; and
- Comparable Market Transaction: the identification of sale comparable to the Company.

We have provided more detail on methodologies commonly used for valuing assets and businesses in Appendix 1.

Each of these methods is appropriate in certain circumstances and often more than one approach is applied, at least as a secondary cross-check to a primary method. The choice of methods depends on factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of the required information.

- DCF – In our view, the DCF method is most appropriate to value a business in the growth stage or businesses with limited lives. We have been provided with a simple profit and loss forecast for Tag for FY2019. Based on the quality of this forecast, in our opinion, it is not possible to support the cash flow projections on a reasonable basis in a manner which satisfies the relevant scope requirements of RG 111.
- FME – Valuation of Tag on a FME basis may be appropriate as the business has historical financial data. However, as Tag is currently operating at a loss and there is no history of operating profits being generated that could be used to represent future earnings, the FME approach is not appropriate.
- NAV – A NAV methodology on a going concern basis is appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. As the majority of Tag's tangible assets are cash, receivables and inventories, the NAV approach is appropriate. In applying the NAV methodology we have assumed that that all assets and liabilities of Tag are recorded within the statement of financial position in the most recent financial reports at fair value.

- QMP – We note that in the absence of a takeover or other share offers, the trading share price represents the value at which minority shareholders could realise their portfolio investment. While the ASX trading of Tag shares is not highly liquid, we have selected the QMP of Tag shares as an appropriate methodology to consider in assessing the fair market value of Tag shares.
- Recent offers or potential acquirers – this method takes into consideration any genuine offers received by the target for the entire business as a basis of valuation. Since there has been no recent offers for Tag, we do not consider valuation of Tag using this method to be appropriate.

9.3 Valuation assessment of Tag – Net Asset Value (NAV)

The value of Tag on a going concern basis, utilising the NAV approach, is detailed below. This NAV methodology has been applied on the assumption that all assets and liabilities of Tag are complete and are recorded within the statement of financial position, as extracted from Tag's auditor reviewed half year financial report as at 31 December 2017.

Table 10. Tag valuation – NAV approach

Statement of Financial Position $	Ref	As at 31-Dec-17 Reviewed	Preferred value
Current assets			
Cash and cash equivalents		5,427,000	5,427,000
Trade & other receivables		9,601,000	9,601,000
Inventories		8,155,000	8,155,000
Other assets		1,043,000	1,043,000
		24,226,000	24,226,000
Non current assets			
Property, plant & equipment		2,870,000	2,870,000
		2,870,000	2,870,000
Total Assets		**27,096,000**	**27,096,000**
Current liabilities			
Trade & other payables		11,983,000	11,983,000
Borrowings		4,323,000	4,323,000
Provisions & other liabilities		1,886,000	1,886,000
		18,192,000	18,192,000
Non current liabilities			
Borrowings		1,195,000	1,195,000
Provisions & other liabilities		145,000	145,000
		1,340,000	1,340,000
Total Liabilities		**19,532,000**	**19,532,000**
Net Assets		**7,564,000**	**7,564,000**
Adjustment for operating losses	9.3.1		(1,000,000)
Net Assets (control basis)			**6,564,000**
Minority discount	9.3.2		24.5%
Net Assets (minority basis)			**4,953,962**
Shares on issue (number)	6.7.1		124,328,175
Value per share ($)			**0.040**

Source: HLB analysis, Tag's financial statements for the half year ended 31 December 2017 (reviewed).

Included within Tag's auditor reviewed Statement of Financial Position as at 31 December 2017 are certain items of plant & equipment and capitalised leased assets which are measured at cost less accumulated depreciation in accordance with the requirements of the Australian Accounting Standards. We have reviewed the recorded value of these plant and equipment and capitalised leased assets and are satisfied their values are appropriate for use within our calculation of Tag's net asset value.

With the exception of the matters detailed below, we have been advised there has not been a significant change in the value of the net assets of Tag since 31 December 2017. As such we have calculated the net asset value of a Tag share based on the adjusted net asset value of Tag at 31 December 2017 with the application of an allowance of a 10% decrease and 10% increase in the net asset value within our determined range of values. We have assessed the value of the net asset value per Tag share to be between $0.036 and $0.044, with a preferred net asset value of **$0.040**.

The following adjustments were made to the net assets of Tag as at 31 December 2017 in our valuation. No adjustment has been made for future tax benefits that may be available to Tag at a later date.

9.3.1 Operating losses

Based on our analysis of available information including Tag announcements to the ASX; the operating loss Tag experienced during the half year ended 31 December 2017, being $0.9 million; and discussions with Tag management, we have assumed a further reduction in net assets likely to result from operations during the second half of the financial year ended 30 June 2018 of at least $1 million. On this basis we have reduced the reported Tag net asset value at 31 December 2017 by $1 million in assessing the valuation of a Tag share on a fully diluted net asset per share basis prior to the Transaction.

9.3.2 Minority discount

A calculation of a NAV per share of Tag is reflective of a controlling interest valuation. We acknowledge the proposed Transaction is not a control transaction as once the in specie distribution of Consideration Shares is made to Carnegie Shareholders, no individual Carnegie Shareholder will hold a controlling interest in Tag, as such we have calculated the NAV per share assessment for a Tag share prior to the Transaction on a minority basis.

In order to conduct a like for like analysis of the pre and post Transaction values of Tag shares on a NAV and QMP basis we are required to present the net asset value on a minority basis. We have used the QMP approach in section 9.4 to value Tag, which represents a minority interest value.

We have adjusted our valuation of Tag to reflect a minority interest holding, being the inverse of a premium for control, using the formula 1-(1/1+control premium). Empirical data suggests the long term average control premium paid in the Australian market is in the range of 30% to 35%. Based on the midpoint of this range and applying the minority interest discount formula, we have calculated and used a minority discount of 24.5%.

9.4 Valuation Assessment of Tag – Quoted Market Price (QMP)

Generally, the quoted market price in an active market is the best evidence of the fair value of a share in a company. However, the combined fair value of the underlying individual assets and liabilities of a company may be higher or lower in value.

As required by the ASX listing rules Tag is required to make relevant information available to the market on a timely basis. As such, the market should be considered to be fully informed and therefore the share price reflective of the fair value of the Company.

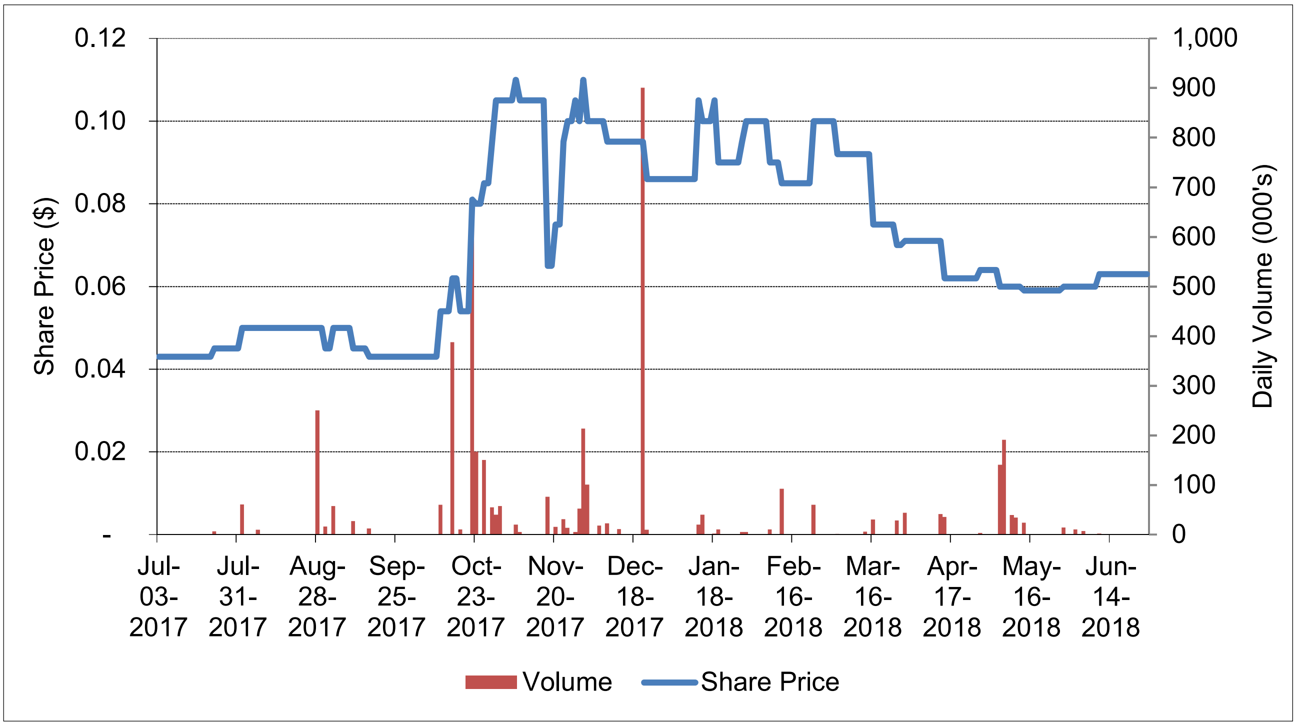
In our calculation of the value of Tag shares we have had regard to historical quoted market prices of Tag shares prior to the announced Transaction, being the period of up to one year, at the time of writing this report. As discussed in section 2.1 above, a minority basis for the QMP assessment has been deemed appropriate due to the proposed in specie distribution of the Consideration Shares to Carnegie Shareholders resulting in no one Carnegie shareholder obtaining an interest in Tag in excess of 4% based on the register of members of Carnegie as at the date of this Report.

In considering whether the quoted market price represents the underlying market value of Tag shares, we have also considered the depth of the market and liquidity of Tag's shares and the volatility of the historic quoted market price movements.

9.4.1 Historical Trading Analysis

The chart below illustrates Tag's daily closing Share price and volumes traded from 3 July 2017 to 27 June 2018.

Figure 1. Tag historic share trading



Source: Capital IQ and HLB analysis

Based on our discussion with Tag management and the above review, there is no indication to conclude the market had been trading on speculation regarding the Transaction.

We note that following the announcement of the Transaction on 28 June 2018, the closing share price on that day was $0.070. The closing share price on the day prior to the date of this Report was $0.084.

9.4.2 Liquidity Analysis

For the quoted market price to be reliable, there needs to be an adequately liquid and active market for the securities. We consider the following characteristics to be generally representative of a liquid and active market:

- Regular trading in a company's securities;
- At least 50% of a company's securities are traded on an annual basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant and unexplained movements in the company's share price.

An analysis of the trading liquidity of Tag's Shares in the 6 month period prior to 28 June 2018 is set out below:

Table 11. Tag historic share trading volumes

Trading days/months	Share price low ($)	Share price high ($)	Cumulative volume traded	As a % of issued capital	VWAP ($)
5 Days	0.063	0.063	-	0.00%	0.063
10 Days	0.063	0.063	-	0.00%	0.063
1 Month	0.060	0.063	18,928	0.02%	0.060
2 Months	0.059	0.064	460,155	0.37%	0.060
3 Months	0.059	0.071	539,389	0.43%	0.061
4 Months	0.059	0.100	647,451	0.52%	0.063
5 Months	0.059	0.100	809,451	0.65%	0.069
6 Months	0.059	0.105	891,279	0.72%	0.071

Source: Capital IQ and HLB analysis

Trading in an entity's shares should meet the above criteria to be considered as trading in a liquid and active market. However, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its share determined on this basis cannot be considered relevant. We observe the following in relation to Tag's share's quoted market price history during the above period:

- The market for Tag shares does not appear to be fully active. While there has been some quoted share price sensitivity to market announcements and transactions as detailed in section 9.4.3, there has been low volumes of share trading and little share price and volume reaction to some announcements.
- We note that one Shareholder, which is an entity associated with two Directors of Tag, holds a relevant interest in excess of 50% of the total Tag shares on issue. This indicates a large portion of Tag shares on issue are controlled by a small number of Shareholders, and these shares are not likely to be actively traded on a regular basis reducing the potential overall liquidity for Tag shares.
- Approximately 891,000 shares had been traded in the six month period to 27 June 2018. This represents less than 1% of Tag's total shares on issue.

The above analysis indicates that shares in Tag have traded in a price range of $0.11 (high) and $0.06 (low) in the six month period preceding this Report, with relatively low volumes of trading. As such the quoted market price may not reflect the fair value of the company, however the traded share price remains a useful reference point when considering the fair value of a Tag share. In our opinion, a relevant range of values of Tag shares based on the quoted market pricing is between $0.06 and $0.07 being a proxy for the 5 day and 6 month volume weighted average share price preceding the date of the announcement of the Transaction.

9.4.3 Tag Market Disclosures

Below is a summary of the Tag announcements released to the ASX by the company in the period since 1 July 2017 along with an analysis of the movement in share price following the announcements. From this analysis there does not appear to have been significant movements in the quoted share market price following the release of information to the market. While it is noted that 4.4 million Tag shares were traded during the twelve month period, this represents only 3.5% of the total issued shares in the Company. These factors are indicators that Tag's quoted share market prices may not truly reflect the underlying fair value of the company.

Table 12. Tag ASX Announcements

Date	Announcement	Closing Price day prior to announcement $	Closing Price day of announcement $	Closing price 3 days after announcement $
11/08/2017	Market Update	0.050	0.050	0.050
25/08/2017	Resignation of Director	0.050	0.050	0.045
31/08/2017	Annual Report 2017	0.045	0.045	0.050
31/08/2017	Annual Review	0.045	0.045	0.050
31/08/2017	Tag Pacific Pursues Growth	0.045	0.045	0.050
31/08/2017	Appendix 4G 2017	0.045	0.045	0.050
31/08/2017	Corporate Governance Statement 2017	0.045	0.045	0.050
31/08/2017	Appendix 4E Preliminary Final Report	0.045	0.045	0.050
1/09/2017	Final Directors Interest Notice - Gary Weiss	0.045	0.050	0.050
4/09/2017	Expiry of listed options	0.050	0.050	0.050
4/10/2017	Expiry of listed options	0.043	0.043	0.043
12/10/2017	NSWs Largest Grid Support Battery To Be Installed	0.054	0.054	0.054
19/10/2017	Notice of 2017 Annual General Meeting and Proxy Form	0.054	0.054	0.080
19/10/2017	Change of Director's Interest Notice - Robert Constable	0.054	0.054	0.080
19/10/2017	Change of Director's Interest Notice - Gary Cohen	0.054	0.054	0.080
19/10/2017	Change of Director's Interest Notice - Robert Moran	0.054	0.054	0.080
19/10/2017	Change of Director's Interest Notice - Nathan Wise	0.054	0.054	0.080
19/10/2017	Change of Director's Interest Notice - Peter Wise	0.054	0.054	0.080
20/10/2017	Next Generation Battery Energy Storage Launched	0.054	0.081	0.085
25/10/2017	Response to ASX Appendix 3Y Query	0.080	0.085	0.105
25/10/2017	Off-grid Power Systems Delivered For Infrastructure Project	0.080	0.085	0.105
27/11/2017	MPower Develops New Hybrid Residential Power Systems	0.100	0.105	0.100
27/11/2017	Lapse of Unlisted Options	0.100	0.105	0.100
27/11/2017	Change of Director's Interest Notice - Nathan Wise	0.100	0.105	0.100
27/11/2017	Change of Director's Interest Notice - Peter Wise	0.100	0.105	0.100
28/11/2017	Chairman's Address	0.105	0.100	0.100
28/11/2017	CEO Presentation	0.105	0.100	0.100
28/11/2017	Results of Annual General Meeting	0.105	0.100	0.100
14/12/2017	Change of Director's Interest Notice - Nathan Wise	0.095	0.095	0.095
14/12/2017	Change of Director's Interest Notice - Peter Wise	0.095	0.095	0.095
18/12/2017	Change of Director's Interest Notice - Nathan Wise	0.095	0.095	0.086
18/12/2017	Change of Director's Interest Notice - Peter Wise	0.095	0.095	0.086
29/12/2017	Change of Director's Interest Notice - Gary Cohen	0.086	0.086	0.086
29/12/2017	Change of Director's Interest Notice - Nathan Wise	0.086	0.086	0.086
29/12/2017	Change of Director's Interest Notice - Peter Wise	0.086	0.086	0.086
15/01/2018	Change of registered office and principal place of business	0.105	0.100	0.105
31/01/2018	Unlisted Options Issue - Appendix 3B	0.095	0.100	0.100
6/02/2018	Change of Director's Interest Notice - Nathan Wise	0.100	0.100	0.090
28/02/2018	Appendix 4D & Half Year Financial Report	0.100	0.100	0.092
28/02/2018	Half Year Milestones Achieved	0.100	0.100	0.092
31/05/2018	Lapse of Unlisted Options	0.060	0.060	0.060
26/06/2018	Trading Halt	0.063	0.063	0.079
28/06/2018	CCE: TAG to acquire EMC and merge with MPower	0.063	0.070	0.094
28/06/2018	MPower to emerge as renewables leader in transformative deal	0.063	0.070	0.094
28/06/2018	Transaction Presentation	0.063	0.070	0.094

Source: Capital IQ and HLB analysis

9.5 Valuation summary

The results of the valuations performed are summarised in the table below:

	Ref	Low ($)	Preferred ($)	High ($)
Net assets value	9.3	0.036	0.040	0.044
Quoted market pricing	9.4	0.060		0.070

Source: HLB analysis

We note the values obtained under the QMP methodology are higher than the values obtained under the NAV methodology. The QMP methodology is considered most appropriate when a liquid and active market exists for the securities. From our analysis of the QMP of a Tag Share, we note less than 1% of the Company's current issued capital has been traded in the 6 month period up until the date of the announcement of the Transaction, which represents a low level of liquidity over the period. Given the lack of a 'deep' market for the trading of Tag's Shares, we also consider the NAV methodology to be an appropriate indicator when considering the value of a Tag Share prior to the Transaction.

On that basis we have adopted a valuation range for a Tag share prior to the Transaction having regard to the preferred net asset value per share of $0.040 and the low range quoted market price value of $0.060

10. Valuation of Tag after the Transaction

10.1 Value Definition

HLB Mann Judd's valuation of a share in Tag following the Transaction has been made on the basis of fair market value defined as the price that could be realised in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing, but not anxious seller and a willing, but not anxious, buyer acting at arm's length.

10.2 Valuation Methodology for a share in Tag following the Transaction

As detailed in section 9.2 of this report, in selecting an appropriate valuation methodology, we considered common market practice and the commonly used valuation methodologies recommended in RG 111. The existing Tag Shareholders will retain their Tag shares if the Transaction proceeds. In performing the analysis of the value of a share in Tag after the Transaction we have had consideration to the expanded business which will include the existing Tag business along with the proposed acquisition of the EMC Business.

As a Tag shareholder will hold a share in the expanded business, the value of their shares will be influenced amongst other factors by the overall profitability and performance of the expanded business.

In selecting an appropriate valuation methodology to value Tag following the Transaction we have considered the following:

- Tag will operate within a similar industry with the businesses exposed to some common opportunities and risks;
- Historical normalised EBITDA/earnings and reliable forecasts are not available for both Tag and the EMC Business;
- Tag has not prepared detailed forecast financial information for a longer period than FY2019. On this basis we do not believe the DCF methodology is appropriate as it requires the use of forward looking information and assumptions over a longer term period;
- The expanded Tag business is intended to be an operating business with assets and contracts utilised for generating returns. As such the pro-forma balance sheet of Tag is likely to be a fair representation of the value of Tag following the Transaction. Tag, under the MPower brand, will continue to provide innovative and reliable products and power solutions both nationally and internationally, utilising EMC's expertise in solar energy and battery microgrids. Accordingly, we consider a valuation using the NAV methodology to be appropriate; and

- While the Tag shares are publicly traded on the ASX in what is considered an informed market, we have noted previously that trading in Tag shares prior to the announced Transaction does not appear to reflect any speculation regarding the Transaction. We do note that in the 5 day period post the announcement of the Transaction approximately 2 million Tag shares were traded on market at a VWAP of $0.081 per share.

Accordingly we are of the opinion that the most appropriate methodology to value Tag following the Transaction is the NAV methodology.

10.3 Valuation of Tag post Transaction – Net Asset Value

The value of Tag following the Transaction, applying a NAV approach, is detailed below.

In calculating the pro forma consolidated balance sheet of the expanded business following the Transaction, the preferred net asset balance of Tag prior to the Transaction was adopted and the following adjustments have been applied:

- impact of the placement of an assumed 40,000,000 Shares to raise $4.0m in cash and equity;
- payment of the 58,507,377 Consideration Shares to the Carnegie shareholders; and
- the addition of $4.2 million in the value of EMC net assets acquired from Carnegie.

Table 13. Tag valuation – NAV approach

	Ref	Preferred
Net assets of Tag prior to the Transaction (control basis)	9.3	6,564,000
Net assets of EMC	7.3	4,200,000
Cash proceeds from capital raise	4.4	4,000,000
Value of Tag post-Transaction ($) (control basis)		**14,764,000**
Minority discount	9.3.2	24.5%
Value of Tag post-Transaction ($) (minority basis)		**11,142,642**
Shares on issue post-Transaction (number)	4.5	222,835,552
Value per share post-Transaction ($)		**0.050**

Source: HLB analysis

The table above indicates the preferred net asset value of a Tag Share following the Transaction to be $0.050.

10.4 Valuation Cross Check for a share in Tag following the Transaction

ASIC RG 111 suggests that when possible the use of more than one valuation methodology should be applied. As detailed in section 10.2 we have selected NAV as our preferred valuation methodology and have considered alternative valuation approach as a potential cross check of the valuation of Tag following the Transaction. We note the following in relation to the alternative valuation methodologies detailed within RG 111:

- Discounted Cash Flows – for the reasons previously outlined in section 10.2, including the requirement for reliance on detailed forecast financial information for a longer period than FY2019, we believe it is not appropriate to use this method to perform the cross check;
- Orderly realisation of assets – for the reasons previously outlined in section 10.2 including the expectation that Tag will continue as a going concern, we believe it is not appropriate to use this method to perform the cross check;
- We are not aware of any recent genuine offers for the acquisition of the entire Tag business or any alternate offers for the acquisition of the EMC Business, which would be relevant as a cross check to the valuation of Tag following the Transaction; and

- Quoted market price – as noted in 9.4.2 there has been relatively low volumes of trading in Tag shares during the period analysed prior to the announcement of the Transaction leading us to conclude that the quoted market price is unlikely to reflect the fair value of the Company. While we do not believe the QMP methodology will be reliable as a primary indicator of fair value of a Tag share following the Proposed Transaction we did note an increased volume in Tag share trading in the 5 day period following the announcement of the Transaction. We noted approximately 2 million Tag shares were traded on market in that 5 day period at a VWAP of $0.081 per share, this represents a 28.5% increase in value to the 5 day VWAP prior to the announcement of the Transaction.

Based on the above stated reasons, we believe the quoted market price to be a relevant data point but do not believe we are able to complete a detailed analysis of a relevant and reliable cross check valuation method to the preferred valuation determined using the NAV methodology.

We have adopted a valuation range for a Tag share in the expanded group following the Transaction having regard to the preferred net asset value per share of $0.050 and the volume weighted average price per share based on the quoted market trading prices for the five day period following the announcement of $0.081.

11. Fairness of Transaction

According to RG111, for the Transaction to be fair, the value of Tag shares following the acquisition of the EMC Business must be equal to or greater than the value of the Tag shares prior to the Transaction.

We consider the Transaction to be **fair**.

The Transaction is fair because the assessed preferred value of a Tag share following the Transaction exceeds the preferred value of a Tag share before the Transaction.

We have compared:
- the value of an existing Tag share before the Transaction; with
- the value of a share in Tag on a minority basis following the Transaction.

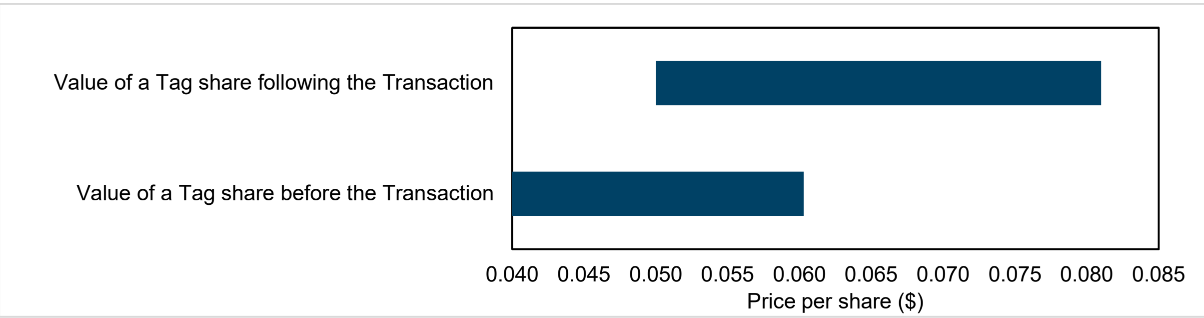
This is summarised in the table below. Our calculations of value have been performed on a per share basis (refer to section 4.14 of this report for an outline of the Transaction).

Table 14. Assessment of fairness

	Ref	Low ($)	Preferred ($)	High ($)
Value of a Tag share before the Transaction	9.5	0.040	0.050	0.060
Value of a Tag share following the Transaction	10.4	0.050	0.066	0.081

Source: HLB analysis

This is illustrated in the following chart.



12. Assessment as to Reasonableness of the Transaction

For the purposes of and in accordance with the requirements of RG 111, an offer is considered to be reasonable if it is fair.

As we have determined the Transaction to be **fair** it is therefore also reasonable.

Set out below are some of the advantages and disadvantages identified in relation to the proposed Transaction.

12.1 Advantages of Approving Transaction

The primary advantages to Non-Associated Shareholders of approving the Transaction are as follows:

12.1.1 Increased size and scale

By combining the existing Tag MPower business and EMC, the Transaction will create a large specialist renewable power system business that may be able to generate enhanced revenue and enhanced returns for the Tag shareholders. The EMC Business will also provide additional expertise and capabilities which may lead to additional diversified income streams for Tag. The increased size and scale of the combined business may also allow for enhanced internal operational cost synergies which may result in increased profit margins being obtained.

12.1.2 Increased prospects and brand recognition

The Transaction increases the prospects for Tag to acquire future projects and revenue through EMC's network of customers and pipeline of potential developments and projects. Given the differing geographic focus of the historic businesses there may be little overlap between MPower and EMC historic customer base, allowing the establishment of a national reach and platform. Furthermore the combined businesses plus the change of Tag's name to MPower, and streamlining all activities under this branding may provide greater market presence and clarity to stakeholders.

12.1.3 Increased market capitalisation and share liquidity

The Transaction will increase Tag's market capitalisation and may attract greater interest from share market investors, particularly as the business integrates its operations. The Transaction will result in an additional 58 million shares being distributed to Carnegie's 10,000+ Shareholders. This may enhance the liquidity in Tag shares actively traded on the public markets, which may in turn enhance the prospects of share price appreciation for Tag investors. In general it is expected that larger publicly traded companies attract higher valuations with increased interest from share market investors and therefore there is expected to be greater liquidity in the trading of the shares.

12.1.4 Increased working capital funds

As the Transaction is conditional on an additional $4 million in new equity funding being raised by Tag, this funding will be available to meet the ongoing expansion and working capital requirements of the business which may allow the company to pursue growth aspirations.

12.2 Disadvantages of approving the Transaction

The primary disadvantages to Non-Associated Shareholders of approving the Transaction are as follows:

12.2.1 Dilution of existing shareholders

If the Transaction proceeds, the Tag shareholders existing interests in the Tag assets will be diluted. The issue of the Consideration Shares to the Carnegie shareholders will result in approximately 32% new shares being issued in the Company. This dilution will result in a corresponding dilution of voting power currently enjoyed by the existing Tag Shareholders. It is noted that the existing shareholders will retain all of their existing Shares in the Company.

12.2.2 Exposure to development project risks

The acquisition of the EMC Business will expose the Tag shareholders to the development risks associated with EMC business activities. These projects may require Tag to gain an exposure to development activities to which the business has not been previously exposed. This may require additional management time and resources in order to fulfil the project obligations. In doing so this may detract resources from the existing Tag business activities.

12.2.3 Exposure to potential project liabilities

There may be future obligations associated with the EMC LL JV projects that oblige Tag to incur future liabilities in relation to costs to complete or make good projects.

12.2.4 Increased demands on Board and Senior management

The acquisition of the EMC Business will require the Board and senior management to gain exposure to and be involved in the running of a much larger scale business. This may be time consuming not only in the initial integration but also the ongoing management, supervision and control of a larger and geographically diverse business. This may reduce the Board and management teams ability to commit resources to priority and value creating activities for the benefit of Tag shareholders.

12.3 Other considerations

12.3.1 Future takeover

Under the terms of the Implementation Deed Carnegie is restricted in its ability to induce or negotiate with other parties in relation to any alternative proposals.

Whilst we are not aware of any alternative offers or superior proposals received by Tag at the date of this report, the proposed Transaction is not likely to cause Tag to be any less attractive to a future takeover offer from a third party if one was to be negotiated.

12.3.2 Tax

As the proposed Transaction does not involve the sale, disposal or transfer of any securities held by existing Tag shareholders, this Report does not include details of taxation considerations for shareholders of Tag, if there are any.

12.4 Conclusions

In our opinion the Transaction as a whole is **fair** and **reasonable** to Non-Associated Shareholders of Tag in the absence of any other relevant information and/or a superior proposal.

Appendix 1 – Valuation Methodologies

1. Overview of Business Valuation Methods

RG 111 provides guidance on the valuation methods that an independent expert should consider when valuing a company. These methods include the:

- Discounted cash flow method and the estimated realisable value of any surplus assets ("**DCF**");
- Application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity ("**FME**"), added to the estimated realisable value of any surplus assets;
- Amount that would be available for distribution to security holders on an orderly realisation of assets ("**Net Asset Value**");
- Quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale;
- Recent genuine offers, if any, received by the target for any business units or assets as a basis for valuation of those business units or assets; and
- Amount that any alternative acquirer might be willing to offer if all the securities in the target were available for purchase.

ASIC does not suggest that this list is exhaustive or that an expert should use all of the valuation methods listed above. Rather, each of the above valuation methods has application in different circumstances. These circumstances include the nature, profitability and financial position of the business being valued and the quality of information available.

1.1 Discounted Cash Flow

The DCF method estimates the net present value ("**NPV**") of future cash flows expected to be generated from the business including a terminal value. The terminal value is the assessed value of the business after the projection period. The NPV is calculated by discounting future cash flows and the terminal value using a discount rate which reflects the risks associated with the cash flow stream.

Cash flows subject to discounting are operating cash flows on an ungeared basis (i.e. before interest and debt repayments) less tax payments, working capital requirements and capital expenditure. Cash flows on an ungeared basis are used to enable the enterprise value to be determined irrespective of the level of debt funding. The equity value may then be calculated by adding surplus assets to, and subtracting debt from, the enterprise value.

1.2 Capitalisation of Future Maintainable Earnings

The CFME method involves capitalising the earnings of a business at a multiple which reflects the growth prospects of the business and the risks inherent in the business. A multiple may be applied to, amongst others, earnings before interest, tax, depreciation and amortisation ("**EBITDA**") or net profit after tax ("**NPAT**").

This method determines the enterprise (or business) value where a multiple is applied to earnings before interest (e.g. EBITDA). The equity value may then be calculated by adding surplus assets to, and subtracting debt from, the enterprise value.

If the transaction value is known or the enterprise value has been estimated, the CFME method may be "reversed" to determine the required earnings or earnings multiple to support the enterprise value.

1.3 Net Asset Value

The Net Asset Value method is based on the value of the assets of a business less certain liabilities adjusted to a market value.

The Net Asset Value method is most relevant when a company is not producing economic returns, a significant portion of a company's assets are liquid, for asset holding companies, or where other common valuation methods are unable to be utilised.

1.4 Quoted Share Price

Where the shares can be readily traded through a market such as the ASX, recent prices at which Shares are bought and sold can usually be taken as the market value per share. The quoted price of a listed share is observable and objective in terms of value. With the advent of continuous disclosure, such market value should include all factors and influences that impact upon the ASX price.

However, in the absence of a deep, well-informed market exhibiting good liquidity, this method has significant limitations.

Shares in a company normally trade at a discount to the underlying value of the company as a whole, reflecting the fact that portfolio shareholdings do not give shareholders management control or direct access to cash flows.

Appendix 2 – Sources of Information

- Annual Report for Tag for the year ended 30 June 2017 (audited) and financial report for the half year ended 31 December 2017 (reviewed);
- Annual Report for Carnegie for the year ended 30 June 2017 (audited) and financial report for the half year ended 31 December 2017 (reviewed);
- Signed Implementation Deed between Tag and Carnegie dated 27 June 2018;
- Draft Tag Notice of Extraordinary General Meeting;
- Tag and Carnegie current Shareholder registers dated 18 June 2018 and 24 May 2018 respectively;
- Tag Pacific Limited and Carnegie Clean Energy ASX announcements up to 28 June 2018;
- Various company announcements and corporate updates publicly available to Tag and Carnegie shareholders;
- Other publically available industry information;
- ASIC Regulatory Guide 111 'Content of Expert Reports';
- ASIC Regulatory Guide 112 'Independence of Expert's Reports';
- ASIC Regulatory Guide 74 'Acquisitions Approved by Members';
- ASX Listing Rules;
- APES 225 'Valuation Services';
- Financial Information aggregated by S&P Capital IQ; and
- IBISWorld Industry Report Wind and Other Electricity Generation in Australia, April 2018.

We have also had access to, and interviewed and obtained information from directors, management and advisors to Tag.

Appendix 3 – Disclosures

Terms defined in the attached Report have the same meaning in this Appendix.

Qualifications and Independence

HMJC is a wholly owned entity of HLB Mann Judd's NSW Partnership. HMJC is the holder of an Australian Financial Services Licence in accordance with the Corporations Act 2001 and its authorised representatives are qualified to provide this Report. The authorised representative of HMJC responsible for this Report have not previously provided any services or advice to Tag.

The authors of this Report are Mr Nicholas Guest and Mr Simon James.

Nicholas Guest is a Partner of HLB Mann Judd's New South Wales Partnership and has more than 10 years' experience in the preparation of independent expert reports and valuations of business entities in a wide range of industry sectors. Nicholas is an Associate of Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce and holds the CA BV Specialist designation. Nicholas has relevant experience and professional qualifications appropriate to the services being provided.

Simon James is a Partner of HLB Mann Judd's New South Wales Partnership and a director and representative of HMJC. Simon has more than 20 years' experience in providing corporate financial advice in relation to mergers and acquisitions and valuation services including the preparation of expert reports. Simon is an Associate of Chartered Accountants Australia and New Zealand and holds a Bachelor of Arts (Honours in Accountancy) and a Master of Business Administration.

Prior to accepting this engagement, HLB considered its independence with respect to Tag with reference to ASIC Regulatory Guide 112 and APES 225. In HLB Mann Judd's opinion, it is independent of Tag.

Neither HLB Mann Judd, its related entities, any Director thereof, nor any individual involved in the preparation of the Report has any financial interest in the outcome of the Transaction which could be considered to affect our ability to render an unbiased opinion. HLB Mann Judd will receive a fee of approximately $28,500 (excluding GST and out of pocket expenses) for the preparation of this Report. This fee is based upon time spent at our normal hourly rates and is not contingent upon the success or otherwise of the Transaction.

Neither HLB Mann Judd, its related entities, any Director thereof, nor any individual involved in the preparation of the Report receive any commissions or other benefits in connection with the preparation of this Report, except for the fees referred to above.

During the course of this engagement, HLB Mann Judd provided draft copies of this Report to Tag for comment as to the factual accuracy. Changes made to the Report as a result of these reviews have not changed the opinions reached by HLB Mann Judd.

Disclaimer and Indemnity

It is not intended that this Report should be used or relied upon for any purpose other than to assist Non-Associated Shareholders to decide whether or not to approve the Transaction. HLB Mann Judd expressly disclaims any liability to any Tag Shareholder who relies or purports to rely on the Report for any other purpose and to any other party, other than the Company, who relies or purports to rely on the Report for any purpose whatsoever.

Other than this Report, neither HLB Mann Judd nor its related entities has been involved in the preparation of the Notice of EGM or any other document prepared in respect of the Transaction. Accordingly, we take no responsibility for the content of the Notice of EGM as a whole or other documents prepared in respect of the Transaction except to the extent consented to in writing as set out in the section of the Notice of EGM described as "Responsibility Statement" in "Disclaimer".

Statements and opinions contained in this Report are given in good faith. In the preparation of this Report, HLB Mann Judd has relied upon information provided by the Providers. In forming our opinion we have reviewed and relied upon this information and have no reason to believe that the information provided is not reliable, accurate and complete. Also, we have no reason to believe that material facts or information have been withheld by the Providers.

The information provided was evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Transaction is fair and reasonable. Our enquiries and procedures do not constitute an audit, extensive examination, verification or “due diligence” investigation. None of these assignments have been undertaken by HLB Mann Judd.

In forming the opinions expressed in this Report, the opinions and judgments of management of Tag and Carnegie have been considered. Although this information has been evaluated through analysis, enquiry and review to the extent practical, inherently such information is not always capable of independent verification.

Tag has agreed to indemnify and hold harmless HLB Mann Judd, its Directors, officers, employees, servants, agents or affiliated organisations (“Associates”) or any other person who is sought to be made liable against any and all losses, claims, damages and liabilities arising out of or related to the performance of these services and which arise from reasonable reliance on information received which is provided by the Providers or material information any of the Providers had in their possession which was requested but not provided to us.

With respect to tax implications of the Transaction, it is recommended that individual Shareholders obtain their own tax advice, tailored to their own particular circumstances. Furthermore, the advice provided in this Report does not constitute legal or taxation advice to the Shareholders, or any other party.

We note that we have not undertaken to update this Report for events or circumstances arising after the date of this Report, other than those of a material nature and contemplated by RG 111 which occurs prior to the date of the EGM.

Consent

HLB Mann Judd consents to the inclusion of this Report in the form and context in which it is included with the Notice of EGM to be issued to the Shareholders of Tag. Neither the whole nor any part of this Report nor any reference thereto may be reproduced or included in any other document without the prior written consent of HLB Mann Judd as to the form and context in which it appears.

HLB Mann Judd Corporate

Australian Financial Services Licence Number 253134

Appendix 4 – Financial Services Guide ("FSG")

Dated 22 August 2018

1. **HLB Mann Judd Corporate (NSW) Pty Ltd**
   HLB Mann Judd Corporate (NSW) Pty Ltd ABN 94 003 918 125 ("HMJC" or **"we"** or **"us"** or **"our"** as appropriate) has been engaged to issue general financial product advice in the form of a Report to be provided to you.

2. **Financial Services Guide**
   In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

   This FSG includes information about:
   - who we are and how we can be contacted;
   - the services we are authorised to provide under our Australian Financial Services Licence, No. 253134;
   - remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
   - any relevant associations or relationships we have; and
   - our complaints handling procedures and how you may access them.

3. **Financial services we are licensed to provide**
   We hold an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, securities valuations or reports and to provide general financial product advice for the following classes of financial products:
   (i) debentures, stocks or bonds issued or proposed to be issued by a government;
   (ii) interests in managed investment schemes excluding investor directed portfolio services;
   (iii) securities; and
   (iv) superannuation;

   to retail and wholesale clients

   We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

   Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. **General financial product advice**
   In our report we provide general financial product advice, not personal financial product advice, because it has been prepared for the shareholder group as a whole without taking into account your personal objectives, financial situation or needs.

   You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product and there is no statutory exemption relating to the matter, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither HMJC, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by us

HMJC has no employees. All personnel who complete reports for HMJC are either partners of, or personnel employed by, HLB Mann Judd's New South Wales Partnership. None of those partners or personnel is eligible for bonuses directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

HMJC is wholly owned by HLB Mann Judd (NSW) Pty Limited. Also, all directors of HMJC are partners in HLB Mann Judd's New South Wales Partnership. Ultimately the partners of HLB Mann Judd's New South Wales Partnership own and control HMJC.

From time to time HMJC, HLB Mann Judd (NSW) Pty Ltd or HLB Mann Judd's New South Wales Partnership may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of their business.

9. Complaints resolution

9.1. Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints must be in writing, addressed to The Complaints Officer, HLB Mann Judd Corporate (NSW) Pty Ltd, Level 19, 207 Kent Street NSW 2000.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within **7 days** and investigate the issues raised. As soon as practical, and not more than **one month** after receiving the written complaint, we will advise the complainant in writing of the determination.

9.2. Referral to external disputes resolution scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3, Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details at the foot of page 1 of this FSG

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tagpac.com
mpower.com.au