

Sale of Prepaid Calling Card Business / Launch of Energy Business

- Tel.Pacific has sold its Prepaid Calling Card Business to Aggregato (subject to Shareholder Approval, to be sought at an extraordinary general meeting on 28 April 2014)
 - Consideration for the sale comprises:
 - Purchase price of \$19 million (\$16 million payment upon completion, \$2 million payment on the later of 24 April 2014 and completion, and \$1 million payable in three consecutive monthly instalments)
 - Aggregato will assume liabilities for unutilised air time, to a maximum of \$5 million
 - Aggregato will pay certain 'stranded costs' as a result of the sale
 - A fully franked initial special dividend of three cents per share to be paid, with a record date of 22 April 2014
 - The Company will continue to focus on its existing mobile phone business and MTRM platform and associated operations
 - Strategic change of main undertaking of the Company to electricity and gas business
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Monday, 24 March 2014: The Board of Tel.Pacific Limited (ASX:TPC) today announced the sale of the Company's prepaid calling card business, and the launch of its emerging energy business.

The sale of the calling card business is subject to shareholder approval, as it constitutes a significant change to the nature and scale of the Company's activities. The Company has called an extraordinary general meeting to seek that approval on 28 April 2014. A Notice of Meeting will be forwarded to all shareholders in the coming days, setting out full details of the transaction and the approvals being sought.

A summary of the proposed sale is set out below.

Sale of Prepaid Calling Card Business

On 24 March 2014, the Company entered into a Business Sale and Purchase Agreement with Aggregato Gulliver Pty Limited, to sell certain assets comprising the two stage dialling card operations of the Company. The completion of the sale is subject to the approval of shareholders at an Extraordinary General Meeting to be held on 28 April 2014, and the satisfaction of certain conditions precedent contained in the Agreement.

The Company will retain the following parts of its current business:

- (a) the mobile phone business conducted by the Company, including that business conducted under the brand names Hello Mobile and Gotalk mobile;
- (b) the Mobile Real Time Monitoring (MRTM) billing platform and associated operations conducted by the Company;

- (c) any business conducted by the Company relating to the supply or proposed supply of energy services; and
- (d) any other business conducted by the Company that is not part of the sale business.

The purchase price for the sale is \$19 million. Aggregato will also assume responsibility for certain liabilities, including unutilised air time of unused paid calling cards and first used but unpaid calling cards (to a maximum of \$5 million).

The Company has provided warranties and indemnities in the Agreement, relating predominantly to title to the assets of the sale business.

For the period of six months commencing on the completion date, the Company will be required and remunerated to provide Aggregato with certain services to allow the sale business to be transferred to Aggregato, and separated from the retained business, in an orderly manner that minimises, as far as possible, disruption to the business.

In addition to the purchase price, Aggregato will pay the Company certain stranded costs in relation to the termination or redundancy of any assets, contracts or employees of the Company that satisfy all of the following:

- (a) relate in whole or in part to the sold business;
- (b) are not required by the Company with respect to the retained business; and
- (c) the Company and Aggregato agree will not be transferred to Aggregato; and
- (d) will result in a post 1 April 2014 cost to the Company.

The Company will continue to own and operate the retained business, which does not form part of the sale business. The retained business includes the mobile and MRTM business, as well as the developing electricity and gas business. It is this business that the Company has previously indicated is the focus of its development activities in the future, and – in relation to the MRTM and mobile business - which has been the focus of the last few years.

Shareholders will benefit from the distribution of part of the consideration received, including an initial special dividend - paid within one month of the completion – of three cents per share, with a record date of 22 April 2014.

Shareholders will benefit from further capital management initiatives that the Board may consider following the completion, after taking into consideration the ongoing capital needs of the business and appropriate alternative use of the funds by the Company.

Electricity and Gas Business

Over recent years, the Company has continued to seek opportunities to reduce the risk associated with the prepaid business and to explore new revenue streams in the postpaid space.

A retail electricity and gas authorisation has been recently granted by the Australian Energy Regulator to the Company's wholly owned subsidiary, CovaU Pty Limited. Upon receipt of relevant authorisations, CovaU will be able to retail electricity and gas in each National Energy Law jurisdiction.

The provision of retail electricity and gas postpaid services to residential and business customers is expected to generate a more stable income stream in the future. The Company will commence rolling out the postpaid services in April 2014.

The Board looks forward to restoring growth in operating earnings for the business over the coming years, and continues to support Management in identifying and capitalising on new opportunities, and in culling those that do not meet the ongoing needs of the business.

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About Tel.Pacific

Established in 1996, Tel.Pacific is a significant participant in the Australian communications market. The Company's core business centres around the MRTM platform (Mobile Real Time Monitoring) which is an intelligent network connected to a leading mobile network. The Company is currently an MVNO (Mobile Virtual Network Operator) and MVNE (Mobile Virtual Network Enabler).

Recently the Company's wholly owned subsidiary, COVA U, entered the electricity and gas business having been granted a licence by the Australian Energy Regulator. The services will be rolled out from April 2014.

Since its establishment, Tel.Pacific experienced strong revenue growth and with the recent sale of the Pre-paid Phone card business its focus is now on growth opportunities in its mobile business, and in the electricity and gas business. Tel.Pacific intends to further expand its business activities as part of its long-term growth strategy.

Tel.Pacific's core product line comprises Hello Mobile and Gotalk Mobile, which are sold to consumers. The COVA U services will also initially be sold to consumers. The Company also has wholesale customers on its MRTM platform.