



Pacific Star Network Limited

Annual General Meeting

29 November 2012

Welcome to the Pacific Star Network Limited 2012 Annual General Meeting.

As it has turned 9.30 AM, and I am reliably informed a quorum is present, I declare the meeting open.

I am Andrew Moffat, Chairman of your Company and will chair today's meeting.

With me today are fellow director's Ron Hall and Gary Pert. Also accompanying us is CEO Barrie Quick and CFO / Company Secretary Stephen Sweeney. I also note that you will find details of your director's background and experience contained within the Annual Report. I also advise that our auditors Grant Thornton (Michael Climpson) are in attendance today and available to take questions from shareholders.

Following my brief address, I will invite Barrie Quick and Stephen Sweeney to provide colour to last year's results as well as comment on the key tasks for management in the current financial year.

FY 2012 Results

It was with great pleasure that your board reported another year of profit growth for shareholders. The full year result was up 10% on last year with a Net Profit after tax of \$0.9 million on the back of a 34% improvement in EBITDA to \$1.37 million. This result was achieved notwithstanding an extremely challenging advertising revenue environment and despite management having to deal with the distraction of managing our exit from the demise of the MTR joint venture.

MTR 1377

Your board feel that it is appropriate that we explain our actions on entering into this joint venture and how we handled the demise of the joint venture in complex and unexpected circumstances.

Having been approached by Macquarie Radio Network Limited ("Macquarie") and being attracted by the prospect of sharing earnings in a potentially successful talk radio station, your Company entered into a joint venture in late 2009 to establish MTR on a number of key commercial principles which sought to protect Pacific Star Network's status quo, including;

- o That the joint venture would deliver set revenue to Pacific Star Network, in the form of a service fee;

- o Macquarie would fund the MTR business (and be responsible for providing the finance manager);
- o Pacific Star Network had no liability for any MTR trading losses;
- o Macquarie guaranteed certain debts owed by MTR to Pacific Star Network; and
- o That there be a process for termination of the joint venture upon notice, which, depending on the party initiating the termination procedure, contemplated an orderly conversion of MTR to a music format and Macquarie providing financial assistance for a reasonable period whilst that new radio station sought to establish viability.

The MTR business failed and the relationship between the joint venture parties deteriorated as both parties failed to agree on the management of the business going forward. MTR's joint venture entity was suddenly placed in administration in early March as a direct consequence of Macquarie withdrawing funding to the joint venture.

This development resulted in a number of disputes and claims between the joint venture parties and left your Company in the unenviable position of dealing with the sudden "off-air" of MTR. When presented with this position, your board and management sought to proactively resolve all issues in a manner that best protected your Company's corporate integrity, shareholders interests and other creditors of MTR.

In doing so, the Board recognised the commercial risks and expense in pursuing protracted legal recourse (together with the ongoing management distraction) and opted to resolve all outstanding issues in a legal settlement and an associated Deed of Company Arrangement (DOCA).

Whilst your Board was disappointed with the outcomes of the failed joint venture, we are proud of the manner in which management handled themselves and the protracted negotiations in extremely difficult circumstances and in minimising the financial and reputational fall-out from this failed joint venture.

Year to Date Financial Performance

For the first four months of this financial year, your Company has recorded an EBITDA result of \$0.7 million. This result is 12% behind that recorded for the same time last year and the principal reasons for this decline are:

- o MTR impact of \$0.2 million. The demise of MTR and your Company's launch of MyMP, has produced a negative contribution of \$113 thousand for the four months to October. This compares to a positive contribution of \$63 thousand from the MTR JV, for the same period last year.
- o 1116SEN continues to perform well and indeed has gained share of the radio advertising market, however, that market has itself declined by over 5% this financial year. Notwithstanding this, the 1116SEN contribution was in line with the same period last year.

Conclusion

In concluding this address I would like to express thanks on behalf of the Board to our loyal and new advertisers, to the management team headed by Barrie Quick, for navigating the Company through a year with many challenges and also to our loyal station talent and staff alike. We also thank shareholders for their continued support.