Pyne Gould Corporation

NZX ANNOUNCEMENT

23 February 2018

PGC Preliminary Half Year Results to 31 December 2017

Profit and Loss

Pyne Gould Corporation ("PGC") Managing Director George Kerr said today PGC recorded an unaudited Net Profit attributable to security holders of GBP 7.934 million for the half year to 31 December 2017 (compared with a Net Profit after Tax of GBP 2.260 million in the half year to 31 December 2016).

After unfavourable non-cash movements in foreign currency reserves, the impact of the Wilaci settlement and ongoing costs associated with the Cayman litigation within Torchlight Fund LP ("TFLP"), on a consolidated basis PGC recorded a Total Comprehensive Loss for the half year to 31 December 2017 of GBP 8.880 million (down from Total Comprehensive Income of GBP 8.840 million in the half year to 31 December 2016).

Balance Sheet

Mr Kerr said following the Wilaci settlement and reversal of the Wilaci litigation expense, Net Tangible Assets ("NTA") attributable to security holders increased to GBP 42.445 million (up from GBP 36.077 million at 30 June 2017). Accordingly NTA per share increased to 20.46 pence per share at 31 December 2017 (up from 17.39 pence per share as at 30 June 2017).

On a consolidated basis PGC held Total Assets of GBP 135.498 million at 31 December 2017 (down from GBP 164.459 million as at 30 June 2017). This was made up of current assets of GBP 57.350 million (30 June 2017: GBP 79.228 million) and long-term assets of GBP 78.148 million (30 June 2017: GBP 85.231 million). PGC had Total Liabilities of GBP 58.894 million at 31 December 2017 (30 June 2017: GBP 78.975 million) and Total Equity of GBP 76.604 million (30 June 2017: GBP 85.484 million).

After allowing for non-controlling interests of GBP 34.159 million (30 June 2017: GBP 49.407 million), PGC's NTA was GBP 42.445 million (30 June 2017: GBP 36.077 million).

Balance Sheet movements were predominantly driven by outcomes flowing from the Wilaci settlement – assets and liabilities both decreased as a result with a positive overall NTA outcome, after allowing for the negative impact of unfavourable foreign exchange movements.

Commentary

PGC remains focused on the long run success of Torchlight Fund LP ("TFLP") in which PGC has an ownership in TFLP through direct limited partner interests of 44.2%.

Torchlight

TFLP's largest investment is in RCL, which has a series of residential land development projects located across Australia (Victoria, New South Wales and Queensland) and New Zealand (Queenstown). RCL's approach is to effectively manage its portfolio through the successful, timely and efficient re-zoning, construction, development and sale of each project.

RCL's largest project is Hanley Farm in Queenstown, where it is developing in excess of 1,700 sites. As at 31 December 2017, 256 sites had been sold through a series of progressive releases. Focus is now on delivering the stock which have been sold, with settlements expected to commence in the next month.

RCL is very long-term in nature and value is only realised as blocks of land are converted to actual cash sales over time. RCL is continuing to unlock value in the underlying real estate portfolio.

The near-term focus within RCL remains on continuing to progress the Hanley Farm project alongside optimising planning outcomes from existing Australian projects. RCL also has a number of opportunities to restock the Australian portfolio and expects to execute one or more of these over the next 12 months.

TFLP's other recent focus was its investment in the Lantern Hotel Group – a portfolio of pubs across Sydney and New South Wales. For a period, TFLP was the largest shareholder in Lantern. Our preferred approach was, as always, a long-term one. As a result of changes at the board level, however, another strategy was implemented by the new management, which resulted in Lantern divesting all of its assets. While we maintain the TFLP-led approach would have delivered significantly better long-run returns to shareholders, returns from the sales of assets have still resulted in a positive investment outcome. All of Lantern's assets have been sold and the majority of funds distributed, with a final distribution expected to be received during the 2018 financial year.

Wilaci

In December, there was a settlement in a dispute with Wilaci Pty Limited ("Wilaci") over late payment fees. While the terms are confidential between the parties, the settlement is for less than the amount provisioned in PGC's 2017 annual report, which has had a positive impact on PGC shareholder equity.

The settlement resulted in the reversal of the Wilaci litigation expense provision in respect of NZ Credit Fund (GP) Limited, a wholly-owned subsidiary of PGC, however the settlement amount has been expensed via TFLP, which is consolidated by PGC, and is reflected in the Total Comprehensive Loss for the period.

Litigation

As we have reported previously, PGC and its subsidiaries have continued to be involved in a number of large and complex litigations over the course of the financial year. This is an unwelcome, but necessary, requirement of defending the balance sheet of PGC. We continue to devote considerable resources to this part of the business. We will only comment on individual proceedings as outcomes occur.

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Perpetual Trust Limited

Shareholders will recall we sold our stake in Perpetual Trust in 2014 for NZD 12.3 million. Further consideration was payable under certain corporate events - which was to allow PGC to benefit to 40 percent of any value the new owner was able to create from corporate events relating to Perpetual in the future.

This receivable remains outstanding and was independently valued at 30 June 2017 at NZD 17.7 million. The Directors consider the receivable remains fully recoverable, however, time will be required to achieve this outcome.

Share buyback

Capital management remains an ongoing focus for the Board and we expect part of the proceeds generated from the divestment of non-core assets to be used to facilitate the buyback of shares on market.

PGC shares trade at a considerable discount to NAV and buying them back is consistent with our value creation strategy.

Final comment

While it might seem a long journey since PGC's restructuring and the establishment of the Torchlight business, we are grateful to shareholders for the patience and understanding you are demonstrating.

We still have challenges ahead but we have made good progress on a number of fronts over the past year and the company is well poised to deliver value to shareholders over the coming years as our long-term investment strategy approaches maturity.

For more information, please contact: David Lewis +64 21 976 119