Pyne Gould Corporation

NZX and Media Release

PGC Capital Raising Announced

23 September 2009

Pyne Gould Corporation Limited ("PGC" or the "Company") today announced its intention to raise $237 million through a fully underwritten pro-rata renounceable Rights Offer ("Rights Offer") which will give the Company a sound foundation on which to achieve its medium term goal of becoming a New Zealand publicly listed banking* and asset management company.

The Rights Offer to eligible shareholders of PGC forms a major part of the capital raising being undertaken by the Company and is fully underwritten by First NZ Capital Securities Limited. The Rights Offer allows all eligible shareholders to subscribe for 6 new shares for every 1 share held on the record date, at a subscription price of $0.40 per new share. Immediately following completion of the Rights Offer it is proposed between $15 million and $30 million will be raised through a separate placement to institutional and habitual investors, including non-broker sub-underwriters of the Rights Offer. PGC also intends to launch a Share Purchase Plan upon closing of the proposed placement, under which existing shareholders will be entitled to apply for up to $5,000 worth of additional shares.

The net proceeds from the Rights Offer would see:

- PGC become debt free by repaying $35 million of bank debt, providing it with the financial flexibility to support growth initiatives of its businesses;
- MARAC's balance sheet strengthened by injecting $35 million of new equity capital. The additional equity will assist to better position MARAC to achieve its medium term goal of obtaining a banking licence under the Reserve Bank of New Zealand Act 1989*;
- MARAC's balance sheet further strengthened through the sale and transfer of certain MARAC property loans to MARAC Financial Services Limited and ultimately Real Estate Credit Limited ("RECL") (both wholly owned subsidiaries of the Company) for total consideration of approximately $175 million, comprised of cash of $125 million and a loan note of $50 million;
- Available funds used to pursue the asset management strategy and to position the Group to capitalise on any value-enhancing consolidation opportunities that may arise in the finance sector; and
- Immediate support for the strategic move into asset management via the newly created entity Perpetual Asset Management Limited ("Perpetual Asset Management") – investing $4.5 million to subscribe for Equity Partner's Asset Management Limited ("EPAM") entitlement to new shares under the Rights Offer being conducted by Equity Partners Infrastructure Company No. 1 Limited.

A combined investment statement and prospectus ("Offer Document") pertaining to the Rights Offer has been registered with the Companies Office and released to NZX. Copies will be mailed to eligible shareholders on 1 October 2009.

The fully underwritten Rights Offer, together with certain amendments that have been made to MARAC's banking facilities (details of which are set out in the Offer Document) have resulted in MARAC's banking

* Neither the Company nor MARAC is a registered bank under the Reserve Bank of New Zealand Act 1989.

syndicate waiving any right of review that arose out of MARAC's credit rating downgrade to BB+ (Outlook Negative).

PGC's chairman, Sam Maling, said that significant steps had already been taken ahead of today's announcement to ensure that the Company was well positioned to take advantage of the opportunities that lay ahead and to address the processes and management issues which were the cause of the significant property development exposures.

"A central step has been the appointment earlier this year of Jeff Greenslade as Chief Executive Officer to lead the Company. Jeff, who brings substantial banking and business experience, has already made a number of senior strategic management appointments including John Duncan as Chief Executive Officer of the newly created asset management business, Perpetual Asset Management, Sean Kam as the Chief Financial Officer of PGC and Craig Stephen as the Chief Investment Officer of PGC."

"Additionally, operational changes have been made to ensure that we don't repeat the mistakes of the past," he said.

Having put the new management team in place, immediately after the capital raising is complete, the directors intend to undertake a review of the Board's composition, as well as the composition of the board of MARAC.

Strategy

Mr Greenslade said that the capital raising significantly improves the financial position of PGC.

"From an investor perspective the recapitalisation provides the foundation for future growth. Operationally, it gives us the financial flexibility to grow the Group's businesses both organically and through acquisitions," he said.

"Going forward it is our objective to offer customers a comprehensive suite of products across our three core business divisions – MARAC, Perpetual Asset Management and Perpetual Trust."

"The Group's customer base comprises "heartland New Zealand" customers. MARAC has approximately 54,000 active customers (including investors and borrowers), while Perpetual Trust has an estimated 15,000 active customers. Combined, this customer base represents a valuable market segment which the Group believes is currently under-serviced by other financial service providers. We believe that an integrated strategy across the Group will unlock full value for existing customers and PGC."

"Significant steps have already been taken to build product capability across the Group and enable the Company to offer valuable services to this customer group."

These steps include:

- refocusing MARAC's strategy on providing financial products to the consumer and commercial lending market;
- MARAC ceasing property development lending - MARAC's property lending is now limited to supporting customers who have a wider existing borrowing relationship with MARAC and whose principal business is not property development or leasing;
- the creation of a new asset management business, Perpetual Asset Management, its purchase of EPAM, and the establishment of RECL and potentially Torchlight Credit Fund, are the initial steps in establishing a range of funds that will provide quality investment options for investors including the

Group's customers. The purchase of EPAM, with $150 million of world class assets under management, provides a sold base from which to grow.

"Along with broadening our product offering, MARAC is experiencing growth through its traditional businesses largely as participants exit the market," Mr Greenslade said

The senior management team and business processes have also been restructured and strengthened along more conventional banking lines. "Despite challenging business conditions, as one of the few listed participants in the finance sector we are uniquely placed to seize the initiative and maximise the value-enhancing opportunities that will become available. We certainly now have the management structure, skills and experience in place to successfully execute that strategy – a recapitalised PGC group will provide the resources to allow that execution to occur."

Background to Capital Raising

PGC director Bryan Mogridge, who has chaired the capital raising committee of PGC, said that it was important that the Company had an appropriate capital structure so as to enhance the long term sustainability and profitability of the Group.

"Doing nothing was, and is, not an option," he said. "Whilst the underlying businesses are robust, we were not immune from the effects of the global financial crisis. New capital was required if we were to move forward and deliver on our stated goals.

"The fact that the rights issue is fully underwritten not only gives PGC certainty of outcome but it also provides a further level of endorsement that the strategic initiatives we are undertaking will create value over time."

"The rights issue has been structured to give PGC's existing and loyal shareholder base the opportunity to meaningfully participate in the process – they can either take up their rights or extract value by selling their rights in the market."

"Another consideration was to broaden PGC's investor base so as to improve liquidity in PGC's shares. It is envisaged that this will in turn improve the potential for inclusion in the NZX50 index and increase interest from the wider investment community."

Major Shareholder Support

Mr Maling said that PGC's largest shareholder, Pyne Family Holdings Limited ("PFHL"), which holds approximately 10% of the shares in the Company and is associated with director George Kerr, has committed to take up its full entitlement of shares under the Rights Offer, being 59,200,884 shares for an aggregate subscription price of $23,680,354. PFHL had also agreed with First NZ Capital Securities Limited to sub-underwrite $27.2 million of the Rights Offer. As part of its sub-underwriting arrangements, and along with other sub-underwriters, PFHL is entitled to participate in the placement on the same basis as other institutional and habitual investors (including non-broker sub-underwriters of the Rights Offer) except that PFHL (or an associated entity) must pay the higher of the placement bookbuild price or $0.49 (which is higher than the application price for the Rights Offer to be paid by other shareholders) for any placement shares for which it subscribes. In no circumstances will PFHL's (or its associates') interests exceed a 19.99% voting interest in the Company. PFHL will receive a sub-underwriting fee from First NZ Capital Securities Limited, but PFHL has agreed to forgo the typical firm commitment fee in respect of its commitment to subscribe for all of its rights.

"These commitments represent a significant contribution and commitment to PGC by George Kerr. Originally we signalled a shareholder meeting may be required to approve certain aspects of the capital raising – this was due to the expectation that the PFHL interests would exceed the 20% shareholding threshold under the Takeovers Code. Given the strong level of other investor support for the capital raising PFHL has limited its involvement to 19.99% at most."

Key Dates

The key dates* for the Rights Offer are:

- Record date to determine entitlements under rights issue and share purchase plan - Wednesday, 30 September 2009
- Rights trading commences on the NZSX – Thursday, 1 October 2009
- Rights trading ceases on NZSX (close of trading) – Thursday, 15 October 2009
- Rights Offer closes (last day for receipt of Entitlement and Acceptance Forms) (5.00pm) – Monday, 19 October 2009
- Allotment of new shares under the Rights Offer – by Tuesday, 27 October 2009
- Settlement and allotment of the placement – Wednesday, 28 October 2009

*These dates are subject to change and are indicative only.

Underwriting

The Company and First NZ Capital Securities Limited have entered into an Underwriting Agreement in respect of the Rights Offer, pursuant to which the Rights Offer of $237 million is fully underwritten. This Underwriting Agreement is subject to various termination events which relate to both financial markets generally and the Group specifically. These termination events, many of which are beyond the Company's control, are summarised in the Offer Document. The placement and the share purchase plan are each a separate transaction, neither of which is underwritten.

Disclaimer

Certain statements in this announcement are statements about future matters and the future financial performance of the Company. Such statements are necessarily based on a number of assumptions and estimates that, while considered reasonable by the Company, are inherently subject to business, economic, competitive and other uncertainties and contingencies, many of which are beyond the control of the Company. As a result, actual results or performance may differ materially from those expressed or implied by such statements. The inclusion of such statements in this announcement should not be regarded as a representation or warranty as to the accuracy of the statements or of the underlying assumptions or estimates.

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