

NZX ANNOUNCEMENT

28 February 2017

PGC Preliminary Half Year Results to 31 December 2016

Profit and Loss

Pyne Gould Corporation (“PGC”) Managing Director George Kerr said today PGC recorded an unaudited Net Profit attributable to security holders of GBP2.26 million for the half year to 31 December 2016 (compared with a Net Loss after Tax of GBP1.064 million in the half year to 31 December 2015).

After favourable non-cash movements in foreign currency reserves PGC recorded Total Comprehensive Income for the half year to 31 December 2016 of GBP8.84 million (up from Total Comprehensive Loss of GBP3.94 million in half year to 31 December 2015).

Balance Sheet

Mr Kerr said operating profit and foreign exchange gains lifted Net Tangible Assets (NTA) to GBP59.787 million (up from GBP50.805 million a year earlier). Accordingly NTA per share rose to 28.82 pence per share at 31 December 2016 (up from 24.49 pence per share).

On a consolidated basis PGC held Total Assets of GBP164.3 million at 31 December 2016 (up from GBP155.1 million last year). This was made up of current assets of GBP52.697 million (GBP67.849 million) and long-term assets of GBP111.6 million (GBP87.245 million). PGC had Total Liabilities of GBP54.057 million at 31 December 2016 (GBP58.557 million) and Total Equity of GBP110.224 million (up from GBP96.537 million).

After allowing for non-controlling interests of GBP50.457 million (GBP45.732 million), PGC’s NTA was GBP59.787 million (GBP50.805 million).

PGC’s liquidity profile improved sharply as debt was paid down and extended with Net Current Assets rising to GBP45.222 million at 31 December 2016 (up from GBP11.349 million at 31 December 2015).

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%.

After the sale in November 2015 of Local World, TFLP’s primary assets are a cornerstone stake in ASX-listed Lantern Hotel Group (“LTN”) and 100% of residential land investor RCL.

LTN has largely completed its sale program of its freehold pub portfolio in Australia and is in the process of settling contracted sales and incrementally distributing cash to shareholders, the largest of which is TFLP, which expects to receive in excess of AUD30m from this source in the coming financial year.

The largest investment of TFLP is RCL. RCL holds a land bank of circa 4000 sites across Australia and New Zealand, including Hanley Downs near Queenstown. Hanley Downs was

successfully rezoned in the third quarter of 2016 and has begun the process of unlocking cash value over time. The first stages of this project were released to the market in the latter part of 2016 with 175 sections selling in line with list prices on release. The near term focus within RCL remains on continuing to progress this project.

As advised last week, TFLP's net fund valuation is now AUD381.8 million (around NZD406 million), up from AUD283.7million (around NZD302.5 million) previously. This increase was due to the receipt of expert opinion from Duff & Phelps, a leading global valuer and corporate advisor, in respect of TFLP's primary remaining assets.

However, the increased valuation does not impact on PGC's consolidated financial statements which are calculated using a different methodology. The net fund valuation for TFLP reflects going concern valuations whereas (as advised in the 2016 annual report) PGC's financial statements are consolidated in accordance with Generally Accepted Accounting Principles in New Zealand (NZ GAAP) and the Companies (Guernsey) Law 2008, and comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The accounting standards require PGC to hold inventories at the lower of cost or valuation, and gains are, therefore, over the life of each project and are reflected in PGC's profit and loss.

Non-Core Assets

Following the in specie of Heartland in 2011, PGC has exited substantially all non-core assets to focus on the growth of TFLP. The material residual receivable is final consideration from the exit of Perpetual Trust Limited ("PTL") and independently valued at NZ\$20.88 million.

TFLP Litigation

PGC has been involved with a number of large and complex litigations as it seeks to defend and grow value for shareholders. We have previously advised the market of litigation involving TFLP where a minority of Limited Partners have sought an early termination of the Partnership. We expect to provide an update on this litigation in the near future.

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