PRICEWATERHOUSECOOPERS

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Mr B Jolliffe and Mr R Elworthy
Directors
Pyne Gould Corporation Limited
P O Box 167
CHRISTCHURCH

3 October 2007

Dear Sirs

Independent Appraisal Report - Proposed Issue of Shares to Directors

1 Introduction

1.1 In accordance with your instructions, we have reviewed the proposed offer in relation to the conversion of certain Directors' retirement allowance entitlements to new shares in Pyne Gould Corporation Limited (PGC or the Company). The purpose of our review has been to consider whether the offer is fair and reasonable to the existing PGC shareholders.

Background

1.2 At its annual meeting to be held on 1 November 2007, PGC will put forward a resolution seeking shareholder approval for the conversion of the current Directors' retirement allowance entitlements (which are currently recorded as a liability in the Company's financial statements) into new shares in the Company (the proposed share issue).

1.3 The PGC shareholders will be requested to consider, and if thought fit, pass the following resolution as an ordinary resolution (requiring a majority of 50% or more of those attending and voting in order to be passed):

> *"That approval be granted to convert each director's entitlement to a cash allowance on retirement into the Company's ordinary shares, such shares to be issued at the close of business on 3 December 2007 and to be fully paid up at a price calculated as the volume weighted average market price determined over the 20 business days leading up to 3 December 2007, and to be held in trust together with any dividends and distributions payable in respect of such shares until the director retires from the Board."*

Purpose of this Report

1.4 Given that more than 50% of the shares to be issued by PGC will be acquired by Directors of the Company, an independent appraisal report is required pursuant to Rule 6.2.2 of the New Zealand Stock Exchange (NZX) Listing Rules.

1.5 PricewaterhouseCoopers (PwC) has been requested by the Directors of PGC who are not associated with the proposed share issue (the Non-Associated Directors) to prepare this report pursuant to the NZX Listing Rules for the benefit of the existing PGC shareholders. PwC's appointment to prepare this report was approved by NZX on 25 September 2007.

The Concept of Fairness

1.6 NZX Listing Rule 1.2.2 requires our report to state whether or not in our opinion the consideration and the terms and conditions of the proposed share issue are fair to the shareholders of PGC other than those associated with the proposed share issue, and the grounds for that opinion.

1.7 There are no specific New Zealand guidelines as to how the fairness of an offer such as the proposed share issue should be assessed. Although the Takeovers Code does not apply to this transaction, we have been guided by the process typically applied in assessing the "merits" of an offer (or allotment) under the Takeovers Code in forming our views on the fairness of the proposed share issue. The Takeovers Panel issued a paper in July 2003 entitled "Guidance Note about the Role of Independent Advisers", which is intended to serve as an "aide memoire" for independent advisers. The paper is careful not to limit the scope of the assessment of the merits of an offer and states that the relevant factors that should be taken into consideration will depend on the features of the proposed transaction as well as the prevailing circumstances of the parties involved.

1.8 In considering the fairness of the proposed share issue, we have taken into account:

- The quantum of the retirement allowance entitlements that are subject to the conversion to new shares.
- The price at which the shares will be issued.
- The information available to the market at the time of the proposed share issue.
- The potential dilution effect on the existing PGC shareholders.
- The vesting of any form of effective control over the Company to any Director as a result of the proposed share issue.

1.9 It is important to note that it is beyond the scope of this report to evaluate the fairness of the retirement allowance entitlements themselves. These have arisen as a consequence of existing arrangements under which the Company's Directors were appointed.

1.10 Each shareholder's circumstances and investment objectives will be different. It is therefore not possible to prescribe or advise what action an individual shareholder in PGC should take in response to the proposed share issue. Our advice will necessarily be general in nature and is intended to assist each shareholder to form their own opinion as to what action they should take in their respective circumstances.

Declarations, Independence, Disclaimers and Indemnity

1.11 This report should be read in conjunction with the statements and declarations set out in Appendix A regarding our independence, disclaimers, restrictions upon the use of this report, reliance on information and indemnity.

2 The Proposed Share Issue

2.1 In 2004 PGC discontinued its practice of paying retirement allowances to Directors. Existing Directors appointed to the Board prior to 1 July 2004 retained their entitlement to a retirement allowance. The entitlement arose once a Director had served on the Board for 5 years and reached its maximum when the Director had served on the Board for 10 years. It is now proposed that these entitlements be converted into PGC ordinary shares in order to better align the interests of the Directors with those of the Company's shareholders.

2.2 The new shares are to be issued fully paid at the Volume Weighted Average Price (VWAP) for the 20-day period preceding the issue date, being 3 December 2007. This date is the first business day after the Company's November Board meeting at which the Directors will consider the proposed share issue. The post-tax[1] value of the entitlement will be used to pay for the new shares. The new shares and any dividends and distributions attributed to those shares will be held in trust until each Director retires.

2.3 Upon retirement, the shares will be transferred to the Director and the Director will be entitled to any accumulated dividends and other distributions in respect of those shares. Prior to distribution to the Directors, each Director will be entitled to exercise all rights attaching to the shares (such as voting) by consulting with the trustee who will be required to follow the directions of the relevant Director.

2.4 Although not all Directors currently have the maximum (10 year) entitlement, it is proposed that the retirement allowance for each existing Director will be calculated as if each Director has served the full 10 year term, and this sum will then be converted into shares to be held in trust until retirement. If a Director retires having served less than the full 10 year term, then the amount of shares that they are entitled to upon retirement will be reduced on a pro rata basis[2]. Following the retirement of all existing Directors, any shares remaining in trust will be purchased by the Company.

2.5 Details of the Directors' retirement allowance entitlements (pre-tax) are presented below:

Director	Appointment Date	Full Entitlement Allowance
S R Maling (Chairman)	April 1996	$170,417
S C Montgomery	November 1998	$89,166
B W Mogridge	September 1992	$89,166
W J Steel	September 1992	$89,166
B R Irvine	October 1996	$85,208
Total		**$523,123**

[1] We note that the retirement allowance entitlements are subject to PAYE.

[2] We note that this applies only in respect of Mr S C Montgomery, as all other Directors have served 10 years in office.

3 Fairness to the PGC Shareholders

Issue Price and Market Information

3.1 In this instance it is probable that under any reasonably foreseeable scenario, the total number of shares to be issued to the Directors will constitute less than 0.5% of the Company's shares already on issue (refer section 3.9). The proposed share issue therefore involves only a small minority holding, conveying either on its own or in conjunction with the Directors' existing shareholdings, no significant level of influence or control over the Company.

3.2 The new shares are to be issued fully paid at the VWAP for the 20-day period preceding the issue date and therefore will be issued at or about the current market price. Assuming that the market is fully informed over the relevant period, which should be the case (especially as the period follows the Company's Annual Meeting), we believe that the VWAP will reflect market value for the shares that are to be issued to the Directors. Any perceived positive or negative implications of the proposed share issue should have been factored into the Company's share price by the market at the time of the issue.

3.3 The Company's Annual Meeting, at which the resolution in relation to the proposed share issue will be put forward, is to be held on 1 November 2007. Prior to this meeting, the PGC shareholders will be provided with the Notice of Meeting containing the resolution, an explanatory note outlining the background to the proposed share issue, and a copy of this report, to enable them to understand all relevant factors and make an informed decision in respect of the proposed share issue.

3.4 Following the outcome of the shareholder vote, the Board will consider the proposed share issue at its November Board meeting and will inform the market of its decision whether or not to proceed on the following business day, being 3 December 2007.

3.5 We therefore consider that the issue price for the shares that are to be issued to the Directors should be reflective of a fair market value for a small minority parcel of shares in the Company as at the date that they are to be issued.

Potential Dilution Effect

3.6 PGC currently has 98,046,979 ordinary shares on issue.

3.7 As shown above, the total pre-tax value of the Directors' retirement allowance entitlements is $523,123. These entitlements are currently recorded as a liability in the Company's audited financial statements, given the fact that they represent existing obligations that the Company has to its Directors. We reiterate that it is the post-tax value of the entitlements that will be converted into shares in the Company.

3.8 We have considered the potential dilution effect on the existing PGC shareholders under two scenarios:

a) if the new shares were issued at $4.10 per share, being the lowest price at which the PGC shares have traded in the last 30 days (following the 2007 full year results announcement on 28 August 2007); and

b) if the new shares were issued at (say) $3.00 per share, being approximately a 25% discount to the current market price[3].

3.9 An analysis of the potential dilution effect under each scenario is presented below:

Component	$4.10	$3.00
Entitlements to be Converted to New Shares*	$350,492	$350,492
Issue Price per Share (say)	$4.10	$3.00
New Shares to be Issued	85,486	116,831
Current Number of PGC Shares on Issue	98,046,979	98,046,979
Total Number of Shares after New Issue	98,132,465	98,163,810
Percentage of Shares Allocated to Directors under New Issue	**0.09%**	**0.12%**

* Note that it is the post-tax value of the entitlements that will be converted into shares in the Company. For the purposes of our analysis, we have assumed a tax rate of 33%.

3.10 This analysis demonstrates that the potential dilution effect on the existing PGC shareholders is negligible if the new shares are issued at or about the current market price. While we are unable to predict the price at which the shares may actually transact over the 20-day period prior to 3 December 2007, it is clear that even reasonably significant price movements (such as a 25% decline in the share price) will not result in a material dilution effect to the existing PGC shareholders.

Impact on Control

3.11 With the exception of Mr W J Steel, each of the Directors who are subject to the proposed share issue has an existing shareholding in PGC. Our consideration of the wider fairness issues surrounding the proposed share issue must therefore contemplate whether or not the proposed share issue will, by itself, result in any of the participants securing any form of effective control over the Company.

3.12 We have considered the levels of shareholding of the relevant Directors pre and post the proposed share issue, using the same two pricing scenarios set out above, in order to examine the potential effect of the proposed share issue on the respective Directors' shareholdings in PGC.

[3] We consider this level of discount to represent a reasonably extreme change in share price over a short period of time.

3.13 The results of this analysis are set out below:

			$4.10		$3.00	
Director	**Current Number of Shares**	**Current % of Shares**	**New Number of Shares**	**New % of Shares**	**New Number of Shares**	**New % of Shares**
S R Maling (Chairman)	96,334	0.10%	137,899	0.14%	153,140	0.16%
S C Montgomery	211,800	0.22%	233,548	0.24%	241,522	0.25%
B W Mogridge	20,000	0.02%	41,748	0.04%	49,722	0.05%
B R Irvine	15,000	0.02%	35,782	0.04%	43,403	0.04%

3.14 As evidenced by this analysis, the Directors beneficially hold very small shareholdings in PGC currently and the proposed share issue will have no material effect on their overall level of control as shareholders assuming that the new shares are issued at or about the current market price.

4 Conclusion

4.1 We conclude that the consideration and the terms and conditions of the proposed share issue are fair to the existing shareholders of PGC not associated with the proposed share issue.

4.2 We have reached this conclusion on the basis of the following factors:

- It is proposed that the new shares will be issued fully paid at the VWAP for the 20-day period preceding the issue date of 3 December 2007. Over that period (which follows the Company's Annual Meeting on 1 November 2007), the market should be fully informed as to the proposed share issue and the circumstances thereof. Therefore, any perceived positive or negative implications of the proposed share issue should have been factored into the price by the market at the time of the issue. We therefore consider that the issue price should in essence be reflective of a "fair market price" for a small minority parcel of shares in the Company.
- The potential dilution effect of the proposed share issue on the existing PGC shareholders is negligible assuming that the new shares are issued at or about the current market price.
- The Directors who are subject to the proposed share issue currently hold very small shareholdings in PGC and the proposed share issue will have no material effect on their overall level of control as shareholders assuming that the new shares are issued at or about the current market price.

4.3 We believe that prior to the Company's Annual Meeting, the PGC shareholders will receive all the information that they require to enable them to understand all relevant factors and make an informed decision in respect of the proposed share issue.

Yours faithfully
PricewaterhouseCoopers

Maurice Noone
Managing Partner
South Island

David Bridgman
Partner
Corporate Finance

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Appendix A: Important Notice

Declarations

This report has been prepared by PricewaterhouseCoopers at the request of the Non-Associated Directors of Pyne Gould Corporation Limited. PwC have been requested to review the proposed offer in relation to the conversion of certain Directors' retirement allowance entitlements to new shares in PGC.

The purpose of our review has been to consider whether the offer is fair and reasonable to the existing PGC shareholders. This report should not be used for any other purpose.

This report is provided for the benefit of the existing shareholders of PGC. PwC therefore consents to the distribution of this report to the existing shareholders of PGC.

PwC have obtained all information which we consider desirable for the purposes of preparing this report and have not been subject to any term of reference which has materially restricted the scope of our report.

Maurice Noone (Partner) and David Bridgman (Partner) have been jointly responsible for the preparation of this report, assisted by Fiona Mules (Associate Director). Maurice, David and Fiona are experienced corporate finance practitioners, who have previously been involved in the preparation of numerous appraisal reports and independent advisors reports pursuant to the NZX Listing Rules and the Takeovers Code.

Independence

We consider ourselves to be independent in terms of this appointment. As at the date of issuing this report:

- None of the personnel who have been involved in the preparation of this report have a relationship with, or a shareholding in, any of the parties to the transaction that could reasonably be regarded as capable of affecting our ability to provide an unbiased opinion in relation to the proposed share issue.
- PwC has had no part in the formulation of the proposed transaction. The preparation of this report will be our only involvement in relation to the proposed share issue.
- PwC will be paid a fee for its services which is in no way contingent on the outcome of our analysis or the content of our report or the success of the proposed share issue.
- PwC does not have any other conflict of interest that could affect our ability to provide an unbiased, independent and objective report.

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Disclaimers

In preparing this report and forming our opinion, we have relied upon, and assumed the accuracy and completeness of all information available to us from public sources, and furnished to us by PGC. We have evaluated that information through analysis, inquiry and review but have not sought to verify the accuracy or completeness of any such information or conducted an appraisal of any assets. It should not be construed that we have conducted anything in the nature of an audit of PGC. Accordingly, we do not express an opinion on the reliability, accuracy or completeness of the information supplied to us and on which our conclusions are based.

Our report has been prepared with care and diligence, and the statements and opinions in the report are given in good faith and in the belief on reasonable grounds that such statements and opinions are not false or misleading. No responsibility arising in any way for errors or omissions (including responsibility to any person for negligence) is assumed by PwC or any of its Partners or employees for the preparation of the report to the extent that such errors or omissions result from PwC's reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit.

We reserve the right, but will be under no obligation, to revise or amend our report if any additional information (particularly as regards the assumptions that we have relied upon) that exists on the date of our report, but was not drawn to our attention during its preparation, subsequently comes to light.

We accept no responsibility for any reliance that may be placed on this report should it be used for any purpose other than that set out above.

Indemnity

PGC has agreed, to the extent permitted by law, to indemnify PwC and its Partners, employees and consultants in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of any negligence, wilful misconduct or breach of law. PGC has also agreed to indemnify PwC and its Partners and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where PwC or its employees and officers are found liable for or guilty of negligence, wilful misconduct or breach of law, PwC shall reimburse such costs.