

NZX ANNOUNCEMENT

11 July 2018

PGC to Report Material Uplift from Successful Torchlight Settlements

Pyne Gould Corporation (“PGC”) Managing Director George Kerr has welcomed the settlement of the Cayman Islands proceedings between the Torchlight Fund LP (“Torchlight Fund”) and Aurora Funds Management, Crown Asset Management and the Accident Compensation Corporation.

After an exhaustive court process, the hearing of the Petition proceedings was completed in December 2017. Having had the benefit of the oral and documentary evidence exchanged in the winding up proceedings, Aurora, CAML, and ACC no longer wish to pursue them, and believe that all parties’ interests would have been better served had the proceedings not been commenced.

The impact on PGC of the settlement is:

- PGC retains 100% ownership of Torchlight GP Limited (the General Partner).
- PGC’s direct limited partner interests in Torchlight Fund have increased from 44.2% to 70.4% as at 10 July 2018 without PGC investing additional capital. All other Limited Partners, with the exception of those involved in the litigation, likewise see a pro rata increase in their interests without investing additional capital.
- The NTA uplift flowing to PGC from its investment in Torchlight Fund, following the litigation resolution, will be reflected in PGC’s December 2018 HY and FY 2019 results.
- The net outcome of the litigation is a material increase in NTA for PGC.

While the terms of the litigation resolution are to be confidential, each party (being Torchlight, Aurora, CAML and ACC) have agreed that any of the parties may make the following statements about the settlement and the text may be provided to third parties.

1. Torchlight GP Limited is the general partner of the Torchlight Fund LP (Torchlight Fund).
2. Aurora Funds Management Ltd (as trustee for the Bear Real Opportunities Fund) (Aurora), Crown Asset Management Ltd (CAML) and the Accident Compensation Corporation of New Zealand (ACC) are limited partners in the Torchlight Fund. Macquarie Investment Management Limited (MIML) is the sole investor in the Bear Real Opportunities Fund.
3. In July 2015, Aurora, CAML, and ACC brought proceedings in the Cayman Islands to have the Torchlight Fund wound up. In those proceedings they made allegations about their concerns about the management of the Fund, what they believed to be related party transactions, the maintenance of accounts, and the payment of fees. The proceedings alleged that Aurora, CAML and ACC had lost trust and confidence in the General Partner.

4. The General Partner responded by maintaining that there was no proper basis for any of the allegations made in the Petition and therefore no proper basis for the alleged loss in trust and confidence. Furthermore, the General Partner alleged that the Petition was in fact part of an unlawful means conspiracy motivated by the need for early liquidity and in July 2016 issued proceedings against CAML, ACC, a number of their officers and employees as well as Greg Marshall and Tom Wallace. In these proceedings the General Partner sought damages for the loss the General Partner believed it had suffered as a result of those proceedings.
5. After an exhaustive court process, the hearing of the Petition proceedings completed in December 2017. Having had the benefit of the oral and documentary evidence exchanged in the winding up proceedings, Aurora, CAML, and ACC no longer wish to pursue them and believe that all parties' interests would have been better served had the proceedings not been commenced. Similarly, the General Partner has decided not to pursue the proceedings it commenced against CAML, ACC and a number of their officers and employees. The General Partner and Aurora, CAML and ACC, together with MIML, are pleased to be able to say that they have resolved their differences and settled the disputes among them (as well as the disputes between the General Partner and the officers and employees of CAML and ACC).
6. The General Partner notes that throughout the Court process, Torchlight Fund has continued to perform well. Torchlight has successfully exited 2 of its 3 principal investments, Local World and Lantern. Its major asset today is Australasian residential real estate investor and developer RCL. Torchlight has successfully completed a financial and strategic restructuring of RCL and continues to complete its plan for the RCL business by developing out its land bank across Australia and New Zealand.
7. Aurora, CAML, ACC and MIML all see potential value in the Fund under the direction of the General Partner. However the Fund's investment objectives no longer suit their needs. They have asked the General Partner to redeem their limited partnership interests for an agreed sum. The General Partner has agreed to do so.
8. Aurora, CAML, ACC and MIML note that neither Mr Tom Wallace nor Mr Greg Marshall is authorised to speak on their behalf about the Fund, its management, or the proceedings referred to above. Statements that Mr Wallace or Mr Marshall might make about these matters do not necessarily reflect the views of Aurora, CAML, ACC or MIML.

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