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29 April 2016

Ralec Litigation Update

The High Court trial in relation to the Ralec proceedings is due to commence next week. Accordingly NZX is providing the following update in relation to this litigation.

Background to the litigation

NZX filed proceedings in 2011 against Ralec Commodities Pty Limited, Ralec Interactive Pty Limited, Grant Thomas, Dominic Pym and other related parties (together "Ralec") in the New Zealand High Court. The proceedings relate to claims under the sale and purchase agreement (the "SPA") entered into in 2009 with Clear Commodities Pty Limited and Clear Interactive Pty Limited ("Clear") for breach of warranty and associated claims. NZX filed an updated claim in December and an associated claim against certain shareholders in the Ralec companies (including Hightower Holdings Pty Ltd and S Pirrie Equities Pty Ltd) in July last year. The updated claim seeks damages of at least AU\$20.7 million against Ralec. Ralec denies NZX's claims.

Ralec filed a counterclaim against NZX in 2011 and an amended counterclaim in December 2015. The claims against NZX are primarily for damages in respect of the following payments contingently payable to Ralec under the Clear SPA:

- (a) An earn-out payment (the Grain Software Market Payment) of AU\$7 million (payable in cash and/or NZX shares valued at the date of the SPA) and a possible unquantified ancillary bonus payment, if particular grain tonnages and revenues were achieved by Clear during 2009 and 2012. Between these periods, Clear traded between approximately 13% and 17% of the various tonnage targets. Ralec alleges this was because NZX failed properly to resource and finance Clear. NZX denies this.
- (b) A second earn-out of AU\$7 million (payable in cash and/or NZX shares valued at the date of the SPA) comprising the Agri-Portal Purchase Payment and an ancillary payment (the Agri-Portal Payment), if an Agri-Portal had been completed and put into operation to the satisfaction of NZX by the end October 2012. Ralec alleges NZX failed properly to resource and fund the development of the Agri-Portal. NZX denies it breached its obligations and says that because the Clear Grain Exchange did not trade at the anticipated or required levels, the Agri-Portal could not be completed or put into operation to the satisfaction of NZX.

Ralec's counterclaim also alleges related misrepresentation and breach of duty claims, as well claims under the Fair Trading Act. The breach of duty and Fair Trading Act claims are also made separately against NZX's former CEO. Ralec's damages claims are for the loss of the opportunity to earn these payments, together with associated benefits, interest and costs. NZX believes the amount of Ralec's counterclaim is in the vicinity of AU\$19million. NZX denies any liability arising from Ralec's counterclaims.

NZX's claim and Ralec's counterclaim are set down to be heard in the High Court in New Zealand for an eight or nine week trial starting on 2 May 2016.



Based on NZX's assessment of the circumstances and information available to it, it does not believe it is probable that a loss will be incurred and accordingly no provision has been recognised.

NZX will not be commenting further on the Ralec litigation during the trial.

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About NZX Limited

NZX builds and operates capital, risk and commodity markets and the infrastructure required to support them. We provide high quality information, data and tools to support business decision making. We aim to make a meaningful difference to wealth creation for our shareholders and the individuals, businesses and economies in which we operate. To learn more about NZX, please visit: www.nzxgroup.com