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1 September 2016

Dear Shareholder

SHARE BUY BACK IN RURAL EQUITIES LIMITED (REL) AT \$4.40 PER SHARE

As part of REL's capital management strategy, REL intends to make an offer to all shareholders to repurchase up to 1,000,000 REL shares at \$4.40 per share (*the Offer*) free of any brokerage. Once repurchased the shares will be cancelled.

On 26 August 2016, the day the share repurchase was announced, the Offer price of \$4.40 represents a premium in excess of 8% to the 30 day weighted average market price on the Unlisted¹ market.

The Offer is also at a 20 cent premium to the price paid to the Rotorua Energy Charitable Trust earlier this year for the repurchase of 1,515,677 REL shares.

Given that REL shares trade infrequently on the Unlisted¹ market, the Directors consider that the Offer will provide shareholders who are contemplating exiting their investment in REL a convenient and efficient mechanism to realise their holding at \$4.40 with no brokerage or other transactional costs being incurred.

The Offer price is at a significant premium to all the other share repurchases previously carried out by REL and will be the last of the share repurchase offers by REL in the foreseeable future. The current intention of REL is not to consider another offer during the next 18 months due to a focus on development opportunities within the portfolio.

You will be able to accept the Offer for all or part of your REL shareholding – however if you do accept the Offer you must accept for a minimum of 15% of the shares that you hold. The terms of the Offer are such that the proceeds of any repurchase should be a non-taxable return of capital unless the shares are held on revenue account. Shareholders should, however, seek their own taxation and financial advice.

If the Offer is oversubscribed, the Directors will, at their absolute discretion, elect the criteria for scaling acceptances. Preference will be given to small shareholders.

The Offer will be made in accordance with Section 60(1)(b)(ii) of the Companies Act 1993 (*the Act*). The Act requires that the Company issue to all shareholders the **enclosed** Share Repurchase Disclosure Document which sets out the key terms of the Offer.

¹ Unlisted is not a Licenced Financial Product Market.

Formal Offer documents cannot be sent to shareholders until 10 working days after the Share Repurchase Disclosure Document has been sent to shareholders. It is REL's current expectation that formal Offer documents will be sent to shareholders on 16 September 2016 with the Offer closing on 19 October 2016. Payment to shareholders accepting the Offer will be made on or about 25 October 2016.

The Directors may, at their absolute discretion, suspend, cancel or close the Offer at any time whatsoever, or reduce the number of shares to be repurchased under the Offer by notice to shareholders in writing.

Until you receive the formal Offer documents no action is required, but in the interim, if you have any questions about the Offer, please contact the REL office.

A handwritten signature in black ink, appearing to read 'David Cushing', written in a cursive style.

David Cushing
EXECUTIVE CHAIRMAN



RURAL EQUITIES LIMITED (REL) SHARE REPURCHASE DISCLOSURE DOCUMENT

(Sections 61(5) and 62 of the Companies Act 1993 (*the Act*))

1. Introduction

- 1.1 The Directors of REL (*the Directors*) have considered the options available to REL to provide shareholders who are contemplating exiting their investment in REL, a convenient and efficient mechanism to realise their shareholding.
- 1.2 To achieve this, and being in accordance with REL's capital management strategy, the Directors have resolved to make an off market, non pro-rata share repurchase offer to REL shareholders pursuant to section 60(1)(b)(ii) of the Act for a maximum of 1,000,000 REL shares.
- 1.3 Section 61(5) of the Act requires that REL sends to all shareholders this Disclosure Document explaining the implications of the proposed repurchase offer for REL and its shareholders.

2. Terms of the Offer

- 2.1 All REL shareholders will receive an off market, non pro-rata share repurchase offer pursuant to section 60(1)(b)(ii) of the Act for a maximum of 1,000,000 REL shares at \$4.40 per share (*the Offer*).
- 2.2 Once repurchased the shares will be cancelled.
- 2.3 The Offer will open on 16 September 2016 (being a date not less than 10 working days after this Disclosure Document has been sent to each shareholder) and subject to clause 2.9 will close at 2.00 pm on 19 October 2016.

- 2.4 Participation in the Offer is entirely voluntary – there is no compulsion for any shareholder to accept the Offer.
- 2.5 A shareholder may accept the Offer for all or part of their shareholding. However, a shareholder must accept for at least 15% of the shares that they hold.
- 2.6 The terms of the Offer are such that the proceeds of any repurchase should be a non-taxable return of capital unless the shares are held on revenue account. Shareholders should, however, take their own taxation and financial advice.
- 2.7 If the Offer is oversubscribed, the Directors will, at their absolute discretion, elect the criteria for scaling acceptances, giving preference to small shareholders.
- 2.8 Payment for the shares repurchased will be made on or about 25 October 2016.
- 2.9 The Directors may, at their absolute discretion, suspend, cancel or close the Offer at any time whatsoever, or reduce the number of shares to be repurchased under the Offer by notice to shareholders in writing.

3. Directors' participation in the Offer

The Offer is being made to all REL shareholders including the Directors and Associated Persons of each Director.

As at 26 August 2016 the nature and extent of any relevant interest of each Director and their Associated Persons are as follows:

Director	REL shares held beneficially	REL shares held by Associated Persons
Nigel Atherfold	-	-
David Cushing	263,160	22,007,061
Sir Selwyn Cushing	85,673	22,168,398
Rodger Finlay	-	1,027,311

4. Directors' authorisation

In accordance with the requirements of the Act, the Offer has been approved by the Directors. The following is the text of the resolution that was passed by the Directors at a meeting on 26 August 2016:

"It was resolved that:

1. Rural Equities Limited (*REL*) sends to every REL shareholder the Disclosure Document as required by Section 61(5) of the Companies Act 1993 (*the Act*).
2. Not less than 10 working days after the Disclosure Document has been sent to every REL shareholder, REL makes an off market, non pro-rata share repurchase offer to all REL shareholders up to a maximum of 1,000,000 shares at \$4.40 per share (*the Offer*).
3. The repurchase of the REL shares under the Offer is in the best interests of REL and is of benefit to REL's remaining shareholders.
4. The terms of the Offer and the consideration offered for the shares are fair and reasonable to both the Company and to REL's remaining shareholders.
5. That the Directors of REL (*the Directors*) are not aware of any information that will not be disclosed to shareholders:

5.1 Which is material to an assessment of the value of the shares.
and

5.2 As a result of which the terms of the Offer and consideration offered for the shares are unfair to the REL shareholders accepting the Offer.

6. The Directors have reached the conclusions in this resolution on the basis that:

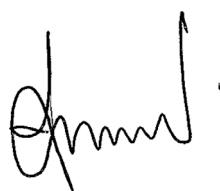
6.1 For a shareholder wishing to accept the Offer, as at the date of this resolution, the Offer price is greater than the weighted average market price of shares traded on the Unlisted¹ market during July and August 2016 and a significant premium to any of the share repurchases previously completed by REL. Given that REL shares trade infrequently, the Offer provides shareholders who are contemplating exiting their investment in REL with a convenient and efficient mechanism to realise their holding.
and

6.2 For shareholders disinclined to accept the Offer, the share price is below REL's net tangible asset value of \$5.46 per share as recorded in REL's audited financial statements as at 30 June 2016.

7. The Directors are satisfied that the Company will, immediately after acquiring the shares, satisfy the solvency test applied under section 52 of Act.

8. David Cushing and James Wright are authorised to sign such documents and do such other things as may be necessary or appropriate to complete the Offer."

Issued by Rural Equities Limited



James R Wright
CHIEF OPERATING OFFICER

1 September 2016

¹ Unlisted is not a Licensed Financial Product Market.