



FIRST FLOOR
120 KARAMU ROAD NORTH
PO BOX 783, HASTINGS
NEW ZEALAND
TELEPHONE 0-6-870 4672
FREEPHONE 0800 100 042
FACSIMILE 0-6-870 4673
enquiries@ruralequities.co.nz

10 March 2008

TO: THE SHAREHOLDERS OF RURAL EQUITIES LIMITED

ACQUISITION OF SHARES IN RURAL EQUITIES LIMITED
BY THE REL - PACIFIC EQUITY TRUST

I refer to the market announcement made by Rural Equities Limited (“the Company”) on 24 January 2008 relating to a proposed transaction involving the acquisition of 1,371,184 shares in the Company by the REL - Pacific Equity Trust from St Laurence Property & Finance Limited. A copy of this market announcement is attached to this letter for your background information.

Enclosed with this letter are:

- (a) A notice of special meeting of shareholders of the Company to be held at The George Hotel, 50 Park Terrace, Christchurch at 11.00am on Friday, 28 March 2008 for the purpose of voting on an ordinary resolution seeking approval of the acquisition of the 1,371,184 shares in the Company by REL - Pacific Equity Trust.
- (b) An Independent Adviser’s Report prepared by Deloitte, which discusses the merits of the proposed transaction from the perspective of those shareholders entitled to vote on the resolution. Under the Takeovers Code interests associated with the Cushing Family and St Laurence Property & Finance Limited cannot vote on this resolution.
- (c) An admission card and proxy form. I encourage you to return the proxy form if you are unable to attend the special meeting of shareholders.

I urge you to carefully read the information contained in the notice of special meeting and the Deloitte Independent Adviser’s Report. In particular, I refer you to page 17 of the Independent Adviser’s Report in which Deloitte draw their conclusions on the merits of the proposed transaction from the viewpoint of the shareholders.

The key issue is the increase in the voting control of the Cushing Family and their associates from 61.60% to 66.74%. I refer you to the Appendix in the notice of meeting where I set out my recommendation. In summary, I recommend shareholders vote in favour of the resolution. I consider the indirect increase of the Cushing Family investment in the Company to be positive, and am unconcerned about the increase in voting control of the Cushing Family and their associates from 61.60% to 66.74%, as they already have effective control. I note that company law provides some protection for minority shareholders with respect to the passing of special resolutions. I propose to vote the 20,000 shares in respect of which I control the voting rights, in favour of the resolution.

Some shareholders may not wish to see an increase in voting control of the Cushing Family and their associates from 61.60% to 66.74%, and in that case they should vote against the resolution.

If you have any questions or concerns regarding either the proposed transaction or the meeting you should in the first instance contact James Wright, the Company's Chief Operating Officer – refer above for the Company's contact details.

If you require further advice or clarification in relation to the proposed transaction or its implications, I strongly recommend you discuss the enclosed documentation with your financial and legal advisers.



Roger Bonifant
INDEPENDENT DIRECTOR



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24 January 2008

Market Announcement

RURAL EQUITIES LIMITED

The directors of Rural Equities Limited (“REL”) have been advised of a conditional contract for the sale and purchase of 1,371,184 REL shares between New Zealand Permanent Trustees Limited on behalf of the REL – Pacific Equity Trust and the vendor St Laurence Property & Finance Limited. The price is \$2.85 per share. 1,371,184 shares represent 5.14% of the REL shares on issue.

The REL – Pacific Equity Trust is a Trust that was established by REL in 2006 and is managed by REL’s subsidiary, REL – Trust Management Limited.

Due to related party associations the REL – Pacific Equity Trust is deemed to be an associate of H&G Limited for the purposes of the Takeovers Code (“Code”). H&G Limited and other entities associated with the Cushing Family collectively own 61.60% of REL’s shares. A transaction that would result in an associate of the Cushing Family increasing their voting control in REL is only permitted under the Code if it is approved by an ordinary resolution of the shareholders of REL. St Laurence Property & Finance Limited, REL – Pacific Equity Trust and their associates under the Code (including H&G Limited and other entities associated with the Cushing Family) would not be permitted to vote on the resolution.

In accordance with established Code procedures, the directors of REL have appointed Roger Bonifant as the independent director for the purpose of considering the transaction and administering the Code processes. An independent adviser will be appointed to prepare a report on the merits of the proposed transaction. This process is now underway and it is anticipated that a meeting of REL shareholders will be held in March 2008 to consider a resolution approving the transaction.

Issued by : James Wright, Chief Operating Officer, Rural Equities Limited
Phone (06) 870 4672 or (027) 445 7092