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25 February 2013

Dear Shareholder

SHARE BUYBACK IN RURAL EQUITIES LIMITED (REL) AT \$3.55 PER SHARE

As part of REL's capital management strategy, REL intends to make an offer to all shareholders to repurchase up to 2,200,000 REL shares at \$3.55 per share (*the Offer*) free of any brokerage. Once repurchased the shares will be cancelled.

As at the date of this letter, the Offer price of \$3.55 is greater than the highest price that REL shares have ever traded for on the Unlisted market. The weighted average price on the Unlisted market for REL shares during the past month was \$3.41.

REL has repurchased shares from institutional investors over the past 18 months and various shareholders have requested REL to consider making an offer to all shareholders. Details of the institutional transactions are as follows:

- 30 August 2011 - 573,500 REL shares repurchased from Physicians Insurance Company at \$3.15 per share.
- 30 August 2011 - 1,462,608 REL shares repurchased from Citation Insurance Company at \$3.15 per share.
- 30 March 2012 - 1,725,000 REL shares repurchased from RotoruaTrust Perpetual Capital Limited at \$3.20 per share.
- 4 October 2012 - 1,000,000 REL shares repurchased from RotoruaTrust Perpetual Capital Limited at \$3.27 per share.

The Offer price of \$3.55 per share is at a significant premium to these repurchases.

Given that REL shares trade infrequently on the Unlisted 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 \$3.55 with no brokerage or other transactional costs being incurred.

Participation in the Offer is entirely voluntary – there is no compulsion for any shareholder to accept the Offer.

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, take 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 who would otherwise, as a consequence of scaling, hold less than REL's minimum shareholding requirement of 1,000 shares.

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.

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 15 March 2013 with the Offer closing on 12 April 2013. Payment to shareholders accepting the Offer will be made on or about 22 April 2013.

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', with a stylized, cursive script.

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 2,200,000 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 2,200,000 REL shares at \$3.55 per share (*the Offer*).
- 2.2 Once repurchased the shares will be cancelled.
- 2.3 The Offer will open on 18 March 2013 (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 12 April 2013.
- 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.
 - Not accept the Offer for a portion of their shares so that the remaining shares held will be less than REL's minimum shareholding requirement of 1,000 shares.
- 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 who would otherwise, as a consequence of scaling, hold less than REL's minimum shareholding requirement of 1,000 shares.
- 2.8 Payment for the shares repurchased will be made on or about 22 April 2013.
- 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 25 February 2013 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
Sir Ronald Carter	-	213,150
David Cushing	263,160	21,981,409
Sir Selwyn Cushing	85,673	22,119,173
Rodger Finlay	-	996,188
Murray Gough	-	216,488
John Green	-	35,640
Andrew Train	3,574	-

4. Directors' authorisation

In accordance with the requirement of the Act, the Offer has been approved by the Directors. To follow is the text of the resolution that was passed by the Directors at a meeting on 25 February 2013:

"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 2,200,000 shares at \$3.55 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 the 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 highest price that REL shares have ever traded for on the Unlisted market, and a significant premium to the repurchases completed by REL from institutional investors over the past 18 months.

and

6.2 For shareholders disinclined to accept the Offer, the share price is below REL's net tangible asset value of \$4.47 per share as recorded in REL's audited financial statements as at 30 June 2012.

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. To authorise David Cushing and James Wright 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

25 February 2013