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25 June 2013

RURAL EQUITIES LIMITED – AN UPDATE

Rural Equities Limited (REL) owns six dairy farms in its rural property portfolio. REL has recently conducted a review of the options available for processing the milk from those dairy farms. REL will continue to supply the Fonterra Co-operative from Delorain (Taranaki), Peshurst (Manawatu) and the two Southland dairy farms, Shenstone and Tatarepo. The two Canterbury dairy farms, Milford and Rocklea, will supply Synlait Milk Limited from the season which commenced on 1 June 2013.

Following the recent Fonterra bonus share issue, REL owned 1,590,798 Fonterra shares. The processing changes outlined above, allow milk to be supplied to Synlait without owning Synlait shares. REL also participated in the recent Fonterra shareholders' Supply Offer which enabled a proportion of shares to be sold to the Fonterra Shareholders' Fund with suppliers retaining full rights to supply milk. Both this and the Synlait initiative have enabled REL to divest approximately half of its Fonterra shareholding (789,262 shares). The sale of the Fonterra shares has realised approximately \$6,000,000, at an average price in excess of \$7.50 per share.

Additionally, following a direct approach from a neighbour, REL has entered into an unconditional contract for the sale of the Blairmore property in Central Otago. The sale proceeds will be \$3,450,000, which represents a premium of 7% to the 30 June 2012 independent market valuation. Blairmore has been owned by the Group for over 24 years, however it is geographically isolated from the other properties within the REL portfolio, and represents less than 2%, by value, of the portfolio. Settlement will be during the first half of 2014.

David Cushing, Executive Chairman of REL commented "The Directors are pleased with REL's progress. The sale of the Fonterra shares and the Central Otago property will result in total proceeds of \$9,400,000 and will further strengthen REL's financial position."

Issued by – James Wright, Chief Operating Officer – 06 870 4672

About REL:

- *REL is a long term investor in rural property for capital gain and income.*
- *REL owns a diversified portfolio of 27 high quality rural properties spread throughout New Zealand.*
- *Nine of the properties are directly managed with six of these being dairy farms. The remaining properties are leased, predominantly to farmers with other farming interests.*