

16 September 2016



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

We enclose an offer to REL shareholders to repurchase up to 1,000,000 REL shares at \$4.40 per share (*the Offer*).

On 26 August 2016, the day the share repurchase was announced, the Offer price of \$4.40 represented 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. At the time of writing this letter, the highest bid on the Unlisted market is \$4.10 per share.

Given that REL shares trade infrequently on the Unlisted market, the Directors of REL 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 per share with no brokerage or other transactional costs being incurred.

The current intention of REL is not to consider another share repurchase within the next 18 months due to a focus on development opportunities within the Group's property 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 and to shareholders who accept early.

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

¹ Unlisted is not a Licensed Financial Product Market.

Should you wish to accept the Offer, please complete the enclosed Acceptance Form and return it with your share certificates in the enclosed pre-paid envelope. If you cannot find your share certificates upon returning the signed Acceptance Form, you will be deemed to have given the declaration of loss and indemnity set out under the heading Share Certificates.

Completed Acceptance Forms must be received by Computershare Investor Services Limited no later than 2.00 pm on Wednesday 19 October 2016. If you intend to accept the Offer we recommend that you return your Acceptance Form early to avoid any postal delays.

If you have any questions regarding the Offer please call the REL office.

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

David Cushing
EXECUTIVE CHAIRMAN

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

(The Attorney signing the Acceptance Form must sign the following certificate)

I of
(Name of Attorney) (Place and country of residence and occupation of Attorney)

CERTIFY:

1 That by deed dated the day of
(Date) (Month) (Year)

of
(Full name of donor of power of Attorney) (Place and country of residence of donor)

appointed me his/her/their attorney.

2 I have executed the acceptance of the Offer printed on this Acceptance Form as Attorney under the powers conferred on me by that Power of Attorney.

3 That I have not received notice of any event revoking the power of attorney and to the best of my knowledge and belief no such notice has been received by me.

SIGNED at this day of SIGNED by
(Place) (Day) (Month) (Year) (Attorney)

TERMS OF THE OFFER

16 September 2016

1 INTRODUCTION

REL recently sent a Disclosure Document to all of its shareholders advising that the Directors of REL have resolved to undertake a share repurchase pursuant to section 60(1)(b) (ii) of the Companies Act 1993.

This offer document has been sent to all REL shareholders who are eligible to participate in the share repurchase.

2 TERMS OF THE OFFER

2.1 Participation

Every person recorded on REL's share register at 5.00 pm on 29 August 2016 will be eligible to participate in the Offer. A shareholder may accept the Offer for all or some of their shares but must accept the Offer for a minimum of 15% of their shareholding.

Participation in the Offer is entirely voluntary. There is no compulsion for a shareholder to accept the Offer.

2.2 Offer period

The Offer opens to all shareholders on 16 September 2016. In order to accept the Offer, the Acceptance Form must be received by Computershare Investor Services Limited by 2.00 pm on Wednesday 19 October 2016.

REL reserves the right, in its absolute discretion, to suspend, close or cancel the Offer at any time, or acquire less than the maximum number of shares specified below.

2.3 Repurchase price

The repurchase price is \$4.40 per share.

2.4 Limit on aggregate acquisition amount

The maximum number of shares that can be accepted under the Offer is 1,000,000. If the Offer is oversubscribed, the Directors of REL will, at their absolute discretion, elect the criteria for scaling acceptances. Preference will be given to small shareholders and to shareholders who accept the Offer early.

2.5 Acceptance is irrevocable

Once a shareholder has accepted the Offer, the acceptance is irrevocable and cannot be withdrawn.

2.6 Cancellation of shares

Shares repurchased by REL under the Offer will be cancelled automatically on acquisition and the number of issued shares in REL will reduce accordingly.

3 TAXATION IMPLICATIONS

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.

4 ADDITIONAL INFORMATION

4.1 Acceptance Form

To participate in the Offer, a shareholder must complete the Acceptance Form and post this to Computershare Investor Services Limited in the prepaid envelope together with the relevant share certificates so that it is received prior to 2.00 pm on Wednesday 19 October 2016. If the relevant share certificates are not enclosed, by signing the Acceptance Form you will be deemed to have given the declaration of loss and indemnity set out under the heading Share Certificates on the Acceptance Form.

A shareholder who completes and lodges an Acceptance Form is, by doing so:

- agreeing to sell to REL under the Offer, the shares held by the shareholder (as shown on the Acceptance Form which must at a minimum represent 15% of the shareholder's shares); and
- representing and warranting that the shareholder is the holder of their shares and agreeing to sell the shares to REL under the Offer and has the right and power to sell the shares, free of encumbrances, to REL.

REL reserves the right to reject any Acceptance Form received for any reason.

4.2 Processing of Acceptance Forms and payment of Offer proceeds

REL will process valid Acceptance Forms on or around 20 October 2016.

Subject to the maximum share repurchase limit of 1,000,000 shares and any scaling of the Offer, and also subject to REL's discretion to cancel, suspend, or close the Offer and share repurchase, or to reduce the number of shares to be repurchased under the Offer, at any time, REL will repurchase the shares under the Offer. REL will pay the repurchase price for the shares repurchased on or about 25 October 2016 to the bank account detailed on the Acceptance Form. If no bank account details are held then payment will be made by cheque.

4.3 Further information

If a shareholder has any questions about the Offer, they can contact REL by email: enquiries@ruralequities.co.nz or by phone (06) 870 4672.