



NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Notice is given that a Special Meeting of the Shareholders of Rural Equities Limited will be held in The Annex, The George Hotel, 50 Park Terrace, Christchurch on Thursday 11 March 2021 at 4.30 pm (*the Special Meeting*). The Special Meeting is being called for Shareholders to consider and, if thought fit, to pass the following ordinary resolution in accordance with clause 4 of the Takeovers Code (Class Exemptions) Notice (No 2) 2001:

“That the repurchase by Rural Equities Limited of up to 3,302,833 Rural Equities Limited shares on the terms and conditions more fully explained in the explanatory notes accompanying the Notice of Special Meeting be, and is, hereby approved.”

It is noted that the repurchase may result in the percentage of voting securities held by H&G Limited and other interests associated with the Cushing Family in Rural Equities Limited increasing in aggregate by a maximum of 8.70% from 74.59% to 83.29%.

Authorised by the Directors of Rural Equities Limited

James Wright
CHIEF OPERATING OFFICER

This is an important document and requires your urgent attention. Your action is required. You should carefully read this Notice of Meeting (including the Independent Adviser's Report) in its entirety before deciding whether or not to vote in favour of the resolution.

If you are in any doubt about what you should do, you should seek advice from your financial, taxation or legal adviser before you make a decision.

If you have recently sold or otherwise transferred any of your shares in Rural Equities Limited, please pass this Notice of Meeting, together with the accompanying documents, as soon as possible to the purchaser or transferee or to the broker or other person who arranged the sale or transfer of your shares.

EXPLANATORY NOTES

Attendance and Voting

1. All Rural Equities Limited (REL) Shareholders other than H&G Limited and other interests associated with the Cushing Family (*the Cushing Family Interests*) are entitled to attend and vote at the Special Meeting. The resolution is an ordinary resolution, requiring a simple majority of the votes of those Shareholders entitled to, and who, vote. Voting restrictions apply to the resolution, as set out in more detail in Explanatory Notes 4 and 22.
2. Any REL Shareholder entitled to attend and vote at the Special Meeting may appoint another person or persons as their proxy or, in the case of corporate shareholders, a representative to attend and vote on their behalf. A proxy or representative need not be a Shareholder of REL. Rodger Finlay, deputy chair of REL, will chair the meeting, and is willing to act as a proxy for REL Shareholders. He intends to vote any discretionary proxies in favour of the resolution.
3. A proxy form is enclosed with this notice. The constitution of REL requires, so as to be valid, that any proxy form must be deposited at the registered office of REL (127 Queen Street East, Hastings or PO Box 783, Hastings 4156 or scanned to enquiries@ruralequities.co.nz) to be received by 4:30pm on Tuesday 9 March 2021, being not later than 48 hours before the commencement of the Special Meeting.
4. The following voting restrictions apply:
 - (a) Shareholders relying on the Exemption Notice are not permitted to vote on the Repurchase Offer.
 - (b) A person appointed as a proxy who is disqualified from voting may vote in accordance with the directions of the Shareholder giving the proxy, but may not exercise a discretionary vote where directions are not given.
 - (c) Neither the person increasing control nor any person who is an associate of that person may vote in favour of the resolution.

Current Repurchase Offer

5. REL gave notice to Shareholders on 5 February 2021 that it intended to make an offer to Shareholders to repurchase up to 3,302,833 shares. Details of the proposed share repurchase offer were set out in the Share Repurchase Disclosure Document that was also sent to REL Shareholders on 5 February 2021.
6. Now that the requisite ten day notice period has passed, REL is making a formal offer to all Shareholders to repurchase up to 3,302,833 shares. The shares will be repurchased at \$5.35 per share (*the Repurchase Offer*). A Shareholder may accept the Repurchase Offer for all or some of their shares but must accept the Repurchase Offer for a minimum of 15% of their shareholding and also must, where accepting in respect of less than all of their shares, continue to comply with REL's minimum shareholding requirement of 2,000 shares. Participation in the Repurchase Offer is entirely voluntary. There is no compulsion for a Shareholder to accept the Repurchase Offer.

7. The Repurchase Offer opens on 23 February 2021 and will close at 2.00 pm on 17 March 2021. REL reserves the right, at its absolute discretion, to suspend, close or cancel the Repurchase Offer at any time, or acquire fewer than the maximum number of shares specified below. Shares repurchased by REL under the Repurchase Offer will be cancelled automatically on acquisition and the number of issued shares in REL will reduce accordingly. Once a Shareholder has accepted the Repurchase Offer, the acceptance is irrevocable and cannot be withdrawn.
8. The Repurchase Offer is conditional on obtaining the Shareholders' approval at the Special Meeting.
9. If acceptances under the Repurchase Offer are received for more than 3,302,833 shares, then Directors will, at their absolute discretion, elect the criteria for scaling acceptances. Directors recommend that Shareholders who intend to accept the Repurchase Offer return their Acceptance Form as soon as possible.
15. Accordingly, in order for REL to repurchase additional shares, without H&G Limited and the other Cushing Family Interests being required to subsequently sell down shares, Shareholders' approval is being sought to the passing of an ordinary resolution. The Cushing Family Interests are not permitted to vote at the Special Meeting. The Repurchase Offer is conditional upon the passing of this resolution.
16. The Cushing Family Interests do not intend to participate in the Repurchase Offer and are seeking to rely on the Exemption Notice to retain any increases in voting control resulting from the Repurchase Offer.
17. The Exemption Notice requires that certain information be provided in the Notice of Special Meeting sent to Shareholders to approve the repurchase. That information is set out in Explanatory Note 23.
18. If Shareholders' approval is granted at the Special Meeting, and acceptances under the Repurchase Offer are received for more than 3,302,833 shares, then the Directors will, at their absolute discretion, elect the criteria for scaling acceptances. See section 4.3 and 5.4 of the Independent Adviser's Report for further information as to the implications of the Offer on the control of REL and the implications if the resolution is not approved. Directors recommend that Shareholders who intend to accept the Repurchase Offer return their Acceptance Form as soon as possible.

Regulatory Requirements

10. REL is a Code Company for the purposes of the Takeovers Code (*Code*). The Code is relevant because, subject to certain exceptions, the "fundamental rule" is that:
 - (a) a person who holds or controls no voting rights, or less than 20% of the voting rights, in REL may not become the holder or controller of an increased percentage of the voting rights in REL unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in REL; and
 - (b) a person who holds or controls 20% or more of the voting rights of REL may not become the holder or controller of an increased percentage of the voting rights in REL.
11. Rule 7(e) is one exception to the fundamental rule, permitting a person who holds or controls more than 50%, but less than 90%, of the total voting rights, to increase by up to 5% of the total voting rights in a Code company in any 12-month period (*the Creep Exception*). There are other exceptions to the fundamental rule – seeking Shareholder approval and the Creep Exception are only two of the exceptions.
12. REL proposes to buy back 3,302,833 shares under the Repurchase Offer. Any non-participation in the Repurchase Offer would result in Shareholders' voting control increasing by a small margin.
13. The Takeovers Code (Class Exemptions) Notice (No. 2) 2001 sets out a general exemption in clause 4 (subject to conditions), permitting an exception to rule 6(1) of the Code for Shareholders wishing to retain the increases in voting control resulting from the share repurchase (*the Exemption Notice*).
14. H&G Limited is the only Shareholder that may rely on the Creep Exception. The other interests associated with the Cushing Family cannot rely on the Creep Exception as they do not hold or control more than 50%, but less than 90%, of the voting rights in REL. However, H&G Limited would exceed the 5% limit if more than 541,926 shares are repurchased during the Repurchase Offer. The Cushing Family Interests, including H&G Limited, are seeking to rely on the Exemption Notice which permits Shareholders to retain any increase in voting control resulting from the Repurchase Offer, provided the Repurchase Offer has been approved by an ordinary resolution of Shareholders (and subject to other conditions as set out in the Exemption Notice).

Maximum number of shares that REL can repurchase

19. The Repurchase Offer has been structured so that if it is fully subscribed, all of REL's available subscribed capital (ASC) will be utilised. If acceptances under the Repurchase Offer are less than 3,302,833 shares then REL could implement subsequent repurchase offers before 11 March 2022 such that the total value of the shares repurchased does not exceed REL's ASC. Any subsequent repurchase offers may be made at a higher, lower or the same price as the Repurchase Offer. See section 1.1 of the Independent Adviser's Report for further details as to how the ASC affects the number of shares that may be repurchased.

Independent Adviser's Report

20. The Exemption Notice also requires that this Notice of Special Meeting be accompanied by a report from an independent adviser in relation to the repurchase. A report that has been prepared by Northington Partners is enclosed with this notice.

Directors' Recommendation

21. The Directors of REL, including the Directors associated with the Cushing Family Interests, recommend that the Shareholders vote in favour of the resolution. The reasons for the recommendation of the Directors are as follows:
 - (a) Before undertaking any repurchase, the Directors must, as required by the Companies Act 1993, determine that the repurchase is in the best interests of REL and its Shareholders. As such, REL's Directors are of the view that making the Repurchase Offer to Shareholders is in the best interests of REL and its Shareholders, and therefore recommend that Shareholders vote in favour of the resolution as the Repurchase Offer will not proceed to completion if Shareholders do not approve the resolution.
 - (b) As REL's shares usually trade infrequently and in small volumes, repurchase offers provide Shareholders who are contemplating exiting their investment in REL with a convenient and efficient mechanism to realise their shareholding.

- (c) Shareholders to whom any repurchase offer is made have total discretion as to whether or not they accept the offer so they can decide whether to realise their investment or continue to hold their REL shares.
- (d) The Cushing Family Interests already have effective control of REL and can determine key strategic decisions of REL, including its dividend policy, growth strategy and its decision to remain quoted on Unlisted. Accordingly, the Shareholder approval sought will not result in a change in effective control of REL.

Takeovers Code disclosures

23. Disclosures in respect of REL's acquisition of its own shares under the Takeovers Code (Class Exemptions) Notice (No 2) 2001 are as follows:

Disclosure requirements	Comments
(a) Full particulars of the repurchase.	Full particulars of the Repurchase Offer (plural if more than one) are set out in Explanatory Notes 5 - 23.
(b) A statement of the name of the person who holds or controls voting securities and is relying on the Exemption Notice.	The Cushing Family Interests listed in Explanatory Note 24 are relying on the repurchase exemption granted under the Exemption Notice.
(c) The following particulars of the voting securities that may, if the resolution is passed by Shareholders, be repurchased by REL.	
i) The maximum number of its own voting securities that REL could repurchase if the resolution is passed by Shareholders.	3,302,833 shares.
ii) The percentage of all voting securities on issue that the repurchase represents.	10.45%
iii) The maximum percentage of all voting securities on issue that the Cushing Family Interests hold or control if REL repurchased 3,302,833 shares.	The relevant percentages are listed against each of the Cushing Family Interests in Explanatory Note 24.
iv) The maximum percentage of all voting securities on issue that the Cushing Family Interests could hold or control, in aggregate, if REL repurchased 3,302,833 shares.	If the Repurchase Offer is fully subscribed, the respective holding or control for each of the Cushing Family Interests is included in Explanatory Note 24. Each of the Cushing Family Interests are treated as being an "exempt associate" of the other Cushing Family Interests for the purposes of the Exemption Notice. There are no associates of the Cushing Family Interests that are not seeking to rely upon the Exemption Notice.
(d) The consideration for the repurchase, or the manner in which the consideration will be determined, and when it will be payable.	The consideration for each share acquired by REL under the Repurchase Offer closing at 2.00 pm on 17 March 2021 will be \$5.35 per share. Depending on the level of acceptances received under the Repurchase Offer, this may be the last share repurchase opportunity offered to Shareholders. If there is any subsequent repurchase offer, the consideration for any such offer will be determined by the REL Directors from time to time and may be a higher, lower or the same price as the Repurchase Offer. REL will pay the proceeds to participating Shareholders within five business days after the offer closes.
(e) The reasons for the repurchase.	The Directors of REL consider that the Repurchase Offer has value for its Shareholders. These reasons are more fully explained in Explanatory Note 21.
(f) A statement to the effect that the increase in the Cushing Family Interests' voting control that would result from the repurchase would, if approved, be permitted as an exception to rule 6(1) of the Takeovers Code in reliance on the repurchase exemption in clause 4 of the Exemption Notice.	The increase in the Cushing Family Interests' voting control that would result from the Repurchase Offer would, if approved, be permitted as an exception to rule 6(1) of the Takeovers Code in reliance on the repurchase exemption in clause 4 of the Exemption Notice.

Voting restrictions

22. Further to the general voting restrictions noted in Explanatory Note 4, the Exemption Notice prohibits the Cushing Family Interests listed in Explanatory Note 24 from voting on the resolution as they will be seeking to rely upon the Exemption Notice. See section 4.1 of the Independent Adviser's Report for further information as to the associate provisions under the Takeovers Code and details of the Cushing Family Interests' individual shareholdings.

(g) A report from an independent adviser, in relation to the repurchase, that complies with rule 18 of the Takeovers Code (as if the references in that rule to an acquisition under rule 7(c) of the Takeovers Code were references to the repurchase by REL made in accordance with the Exemption Notice and the references to a notice of meeting were references to this notice).	An independent report prepared by Northington Partners accompanies this Notice of Special Meeting.
(h) A statement by the Directors of REL, in relation to the repurchase, that complies with rule 19 of the Takeovers Code as if the reference in that rule to an acquisition under rule 7(c) of the Code were a reference to the repurchase by REL made in accordance with the Exemption Notice.	See Directors' Recommendation in Explanatory Note 21.
(i) The following assumptions have been applied for the purposes of providing the particulars of voting securities, as specified in (c) above.	<p>The information in this table assumes that:</p> <ul style="list-style-type: none"> - REL has 31,620,077 shares on issue on the calculation date. - There is no change in the total number of shares on issue between the calculation date and the end of the repurchase, other than as a result of the repurchase. - The Cushing Family Interests do not participate in the Repurchase Offer. - REL repurchases the maximum number of shares, being 3,302,833 shares (or 10.45% of the shares on issue). - There is no change to any of the Cushing Family Interests' shareholdings as a result of any reorganisation of any trust, transmission of shares to an executor, trustee or administrator, acquisition of voting securities by a beneficiary under a will or any other analogous event.
(j) The calculation date for determining the particulars of voting securities, as specified in (c) above.	22 February 2021

24. The Code Shareholders for the purposes of the Exemption Notice are the Cushing Family Interests made up of the following individual shareholdings

Shareholder	Pre-Repurchase shareholding percentage	Post-Repurchase maximum shareholding percentage	Number of Shares	Total maximum shareholding percentage of increase
H&G Limited	71.92%	80.31%	22,740,567	8.39%
Makowai Farm Limited	0.50%	0.55%	156,691	0.05%
BJ Cushing	0.24%	0.27%	76,351	0.03%
Ashfield Properties Limited	0.42%	0.47%	133,891	0.05%
Seajay Securities Limited	0.74%	0.83%	235,169	0.09%
Fairway Finance Limited	0.15%	0.16%	46,565	0.01%
KD Cushing Family Trust	0.62%	0.70%	197,328	0.08%
Total	74.59%	83.29%	23,586,562	8.70%