THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or about what action you should take, you should consult your stockbroker, accountant or other independent professional advisor authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all your ordinary shares in Rurelec plc (the **"Company"**), please hand this document (together with the accompanying proxy form) as soon as possible to the stockbroker or other agent through whom you made the sale or transfer for transmission to the purchaser.

LETTER FROM THE COMPANY SECRETARY OF RURELEC PLC

(Registered in England and Wales with registered number 4812855)

Directors
James West (Chairman and Non-Executive Director)
Peter Earl (Managing Director)
Michael Eyre (Executive Director)
Elizabeth Shaw (Director of Finance)
Francis Mattos (Non-Executive Director)
Sir Robin Christopher (Non-Executive Director)

5th Floor
Prince Consort House
27-29 Albert Embankment
London
SE1 7TJ

18 November 2005

To shareholders (and for information only to warrant holders)

Dear shareholder,

Report and Accounts and Annual General Meeting

Copies of the report and accounts of the Company for the years ended 30 June 2004 and 30 June 2005 (the **"Reports and Accounts"**) are enclosed with this letter. At the end of this letter you will find a notice convening the first annual general meeting of the Company which is to be held at 10.00 am on 12 December 2005 at 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ (the **"AGM"**). The business of the AGM will be to receive the Reports and Accounts and to conduct the other ordinary business and special business of the Company as set out in the notice. The schedule to this letter explains the special business that is proposed at the AGM.

Action to be taken

You will find enclosed with this letter a form of proxy for use in connection with the AGM. Whether or not you intend to be present at the AGM, you are asked to complete the form of proxy in accordance with the instructions printed on it so as to be received by Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event not later than 10.00 am on Saturday, 10 December 2005. Completion of the form of proxy will not preclude you from attending and voting at the AGM should you so wish.

Yours sincerely

Susan Laker
Company Secretary

SCHEDULE

EXPLANATORY NOTES TO THE SPECIAL BUSINESS TO BE PROPOSED AT THE AGM

To renew powers of the board to allot ordinary shares and disapply pre-emption rights in order to allot equity securities (Resolutions 11 and 12).

The directors under the Companies Act 1985 (the **"Act"**) may only allot ordinary shares or grant rights to subscribe for ordinary shares if authorised to do so in a general meeting or pursuant to the articles of association. The directors may also only allot ordinary shares for cash to persons who are not already shareholders of the Company if authorised to do so by the shareholders in a general meeting or pursuant to the articles of association.

It is proposed to give the board authority to allot unissued share capital and to allot ordinary shares for cash in limited circumstances.

An ordinary resolution (Resolution 11) will be proposed to authorise the Board to allot the unissued share capital up to an aggregate nominal amount of £163,833.34. This represents 8,191,667 ordinary shares and is equivalent to approximately 33.3% of the Company's current issued share capital plus 1,075,000 shares in respect of which warrants are issued.

The authority and power pursuant to Resolution 11 will expire on the earlier of 15 months from the date Resolution 11 is passed and the conclusion of the Company's next annual general meeting.

A special resolution (Resolution 12) will be proposed authorising the board to allot ordinary shares for cash without first offering them to existing shareholders up to an aggregate nominal amount of £21,350. This sum represents 1,067,500 ordinary shares being equivalent to approximately 5% of the Company's current issued share capital. The directors will use this authority in the circumstances where it is in the best interests of the Company to issue ordinary shares for cash other than to existing shareholders. The resolution also enables the directors to modify the strict requirements for a rights issue or other pro rata offer to shareholders in circumstance where they consider it necessary or expedient.

The authority and power pursuant to Resolution 12 will expire on the earlier of 15 months from the date Resolution 12 is passed and the conclusion of the Company's next annual general meeting.

RURELEC PLC

(incorporated and registered in England and Wales with company number 4812855)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting of Rurelec PLC (the **"Company"**) will be held at the offices of 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ at 10.00 a.m. on 12 December 2005 when the following business will be proposed:

Ordinary Business

To consider and, if though fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1 To receive and, if approved, to adopt the company's accounts for the financial year ended 30 June 2004 together with the directors' report, and the auditors' report on those accounts.

2 To receive and, if approved, to adopt the Company's accounts for the financial year ended 30 June 2005 together with the directors' report, and the auditors' report on those accounts.

3 To declare a final dividend of 0.5 pence, recommended by the directors, for the year ended 30 June 2005 payable on 14 December 2005 to holders of ordinary shares registered at the close of business on 18 November 2005.

4 To re-elect Peter Earl as a director.

5 To re-elect Elizabeth Shaw as a director.

6 To re-elect Michael Eyre as a director.

7 To re-elect James West as a director.

8 To re-elect Francis Mattos as a director.

9 To elect Sir Robin Christopher as a director.

10 To re-appoint Grant Thornton as auditors of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company and to authorise the directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions which in the case of resolution 11 will be proposed as an ordinary resolution and in the case of resolution 12 as a special resolution:

ORDINARY RESOLUTION

11 The directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the **"Act"**) to exercise all the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities up to but not exceeding an aggregate nominal amount of

£163,833.34, such amount being equal to approximately one third of the issued share capital of the Company, provided that this authority shall expire fifteen months from the date of this resolution or on the conclusion of the Company's annual general meeting to be held in 2006 if earlier (the **"Period of Authority"**), save that the Company may before the expiry of the Period of Authority make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allow relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred had not expired and provided further that all previous general authorities granted to the directors pursuant to section 80 of the Act be and they are hereby revoked. In this resolution the expression "relevant securities" and references to the allotment of relevant securities shall bear the same respective meanings as in section 80 of the Act.

SPECIAL RESOLUTION

12 That, subject to and conditional upon the passing of Resolution 11 above and pursuant to the authority conferred by Resolution 11 above the directors be and they are hereby empowered, pursuant to section 95 of the Act to allot equity securities (as such term is defined in section 94 of the Act) for cash as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with a rights issue or other pro rata offer to holders of ordinary shares where the equity securities are offered to the ordinary shareholders in proportion (as nearly as they may be) to the respective numbers of ordinary shares held by them subject in each case to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical difficulties under the laws of any territory or the requirements of a regulatory body; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £21,350,

and shall expire at fifteen months from the date of this resolution or if earlier on the conclusion of the annual general meeting of the Company to be held in 2006 except that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

18 November 2005

Registered Office:
5th Floor
Prince Consort House
27-29 Albert Embankment
London SE1 7TJ

By order of the Board
Susan Laker
Company Secretary

Notes:

1 Any person entered on the register of members of the Company at 10.00 a.m. on 10 December 2005 (hereafter referred to as a "member") is entitled to attend and vote at the annual general meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the register of members after the above time and date shall be disregarded in determining the rights of any person to attend and/or vote at the extraordinary general meeting.

2 Any member who is entitled to vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.

3 The completion and return of a form of proxy does not preclude a member from attending and voting in person at the meeting convened by this notice or any adjournment of it.

4 To be valid, such form of proxy and any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited with the registrars of the Company, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU in accordance with the instructions printed thereon, so as to be received no later than 48 hours before the time appointed for holding the meeting.

5. Copies of the following documents are available for inspection during normal business hours at the Registered Office of the Company from the date of this Notice and at the place of the meeting from 9.00am until the close of the meeting:
   (a) directors' service contracts and terms of appointment for the non-executive directors;
   (b) terms of reference of the Audit, Remuneration and Nomination Committees; and
   (c) register of directors' interests.