

**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 or transferee of your shares.

## **LETTER FROM THE COMPANY SECRETARY OF RURELEC PLC**

*(Registered in England and Wales with registered number 4812855)*

*Directors:*

James West (*Chairman*)  
Peter Earl (*Managing Director*)  
Elizabeth Shaw (*Director of Finance*)  
Mike Eyre (*Executive Director*)  
Frederick Fisher (*Non-Executive Director*)  
Sir Robin Christopher (*Non-Executive Director*)

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

23rd June 2008

*To shareholders*

Dear Shareholder,

### **Report and Accounts and Annual General Meeting**

Copies of the report and accounts of the Company for the twelve month period ended 31 December 2007 (the “**Report and Accounts**”) are enclosed with this letter. At the end of this letter you will find a notice convening the annual general meeting of the Company which is to be held at 11.00 a.m. on Tuesday 22nd July 2008 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 Report 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 that the form may be received by the Company’s Registrars, Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event not later than 11.00 am on 20th July 2008. 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 6 and 7).

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.

As at today’s date, a conditional placing (the “Placing”) has been announced in connection with the Company’s acquisition of the remaining 50 per cent. of Patagonia Energy Limited. The directors expect the Placing to become unconditional prior to the AGM but members should note that the Placing impacts on the percentages mentioned in the following paragraphs.

An ordinary resolution (Resolution 6) will be proposed to authorise the Board to allot the unissued share capital up to an aggregate nominal amount of £571,925.16. This represents 28,596,258 ordinary shares and is equivalent to approximately 33 per cent. of the Company’s issued share capital (assuming the Placing becomes unconditional).

The authority and power pursuant to Resolution 6 will expire on the earlier of 15 months from the date Resolution 6 is passed and the conclusion of the Company’s next annual general meeting.

A special resolution (Resolution 7) 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 £200,000. This sum represents 10,000,000 ordinary shares and is equivalent to approximately 11.66 per cent. of the Company’s issued share capital (assuming the Placing becomes unconditional). 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 circumstances where they consider it necessary or expedient.

The authority and power pursuant to Resolution 7 will expire on the earlier of 15 months from the date Resolution 7 is passed and the conclusion of the Company's next annual general meeting.

In addition, from October 2008, the directors will be under a statutory duty to avoid potential conflicts of interest, a requirement introduced by the Companies Act 2006. In line with good practice, the directors propose the addition of new provisions in the Company’s articles of association (in substitution to existing paragraphs 30.1 to 30.4 inclusive) to introduce procedures for the board to deal with such conflicts if and when they arise. This is the object of Resolution 8.

# RURELEC PLC (the “Company”)

(Company No. 4812855)

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at Rurelec PLC, 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ at 11.00 a.m. on the 22nd July 2008 for the purpose of considering and, if thought fit, approving the following resolutions, of which resolutions 1 to 6 will be proposed as ordinary resolutions and resolutions 7 and 8 as special resolutions:

### ORDINARY RESOLUTION

1. To receive and, if approved, to adopt the Company’s accounts for the financial year ended 31 December 2007 together with the directors’ report and the auditor’s report on those accounts;
2. that a dividend of 2½ pence per ordinary share be declared payable to shareholders on the register of members at the close of business on 25 July 2008. *Note: subject to shareholders approval, the final dividend of 2½ pence per ordinary share will be paid on 15 August 2008.*
3. to re-elect Sir Duncan Robin Carmichael Christopher as a director;
4. to re-elect James Glynn West as a director;
5. to re-appoint Grant Thornton UK LLP of Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP as the Company’s auditors to act as such until the conclusion of the next General Meeting at which the accounts are laid before the Company in accordance with section 437(1) of the Companies Act 2006 and to authorise the directors of the Company to fix their remuneration.
6. THAT in substitution for any existing such authority, the Directors be and are hereby generally and unconditionally authorised in accordance with the Companies Act 1985, as amended (the “Act”) to exercise all powers of the Company to allot relevant securities within the meaning of Section 80 of the Act up to an aggregate nominal amount of £571,925.16, provided that the authority hereby conferred shall operate in substitution for and to the exclusion of any previous authority given to the Directors pursuant to Section 80 of the Act and shall expire on the date falling 15 months from the date of the passing of this Resolution unless such authority is renewed, varied, or revoked by the Company in General Meeting save that the Company may at any time before such expiry make an offer or agreement which might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.

### SPECIAL RESOLUTION

7. THAT subject to and conditional upon the passing of Resolution 6 above and pursuant to the authority conferred by Resolution 6 above, the directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as 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 such power shall be limited to:-
  - (a) the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusions or other arrangements as the directors may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws of or the requirements of any recognised regulatory body in any territory or otherwise; and
  - (b) the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities up to an aggregate nominal amount of £200,000,

and the power hereby conferred shall operate in substitution for and to the exclusion of any previous power given to the directors pursuant to Section 95 of the Act and shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months from the date of the passing of this Resolution unless such power is renewed or extended prior to or at such meeting except that the Company may before the expiry of any power contained in this Resolution 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 hereby had not expired.

8. THAT articles 30.1, 30.2, 30.3 and 30.4 be deleted from the Company's articles of association and the following wording inserted in replacement:

**“30.1 Directors' interests: third parties**

- (a) For the purposes of section 175 CA 2006, the Board may authorise any matter proposed to it in accordance with these Articles which would otherwise involve a breach of duty by a Director under that section, including, without limitation, any matter which relates to a situation in which a director has, or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the interests of the Company.
- (b) Any such authorisation will be effective only if:
  - (i) the matter has been proposed in writing for consideration at a meeting of the Board, in accordance with the Board's normal procedure or in such other manner as the Board may from time to time require;
  - (ii) any requirement as to quorum at the meeting at which the matter is considered is met without counting the director in question or any other interested director, and
  - (iii) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.
- (c) The Board may make any such authorisation subject to any limits or conditions (whether at the time of the giving of the authorisation or afterwards) and may at any time vary or terminate such authorisation.
- (d) For the purposes of these Articles, a conflict of interest includes a conflict of interest and duty and a conflict of duties.
- (e) A Director shall not, by reason of his office, be liable to account to the Company for any profit, remuneration or other benefit derived as a result of any matter authorised by the Board in accordance with the terms of this Article and no contract, arrangement, transaction or proposal entered into by the Director in relation to such matter shall be avoided on the grounds of any such interest or benefit.
- (f) Where a director's relationship with another person, firm or body corporate (“the Third Party”) has been approved by the Board in accordance with the terms of this Article and for so long as such relationship gives rise to a conflict, or possible conflict, of interest, the director shall not be in breach of his duties under sections 171 to 177 CA 2006 in the event that he:
  - (i) does not disclose to the Board (or to any director, officer or employee of the Company) any information obtained, otherwise than in his capacity as a director of the Company, as a result of his relationship with the Third Party in circumstances where he owes a duty of confidentiality to the Third Party;
  - (ii) does not use such information in the performance of his duties as a director of the Company; or
  - (iii) does not attend meetings of the Board at which any matter relating to the conflict, or possible conflict, of interest is to be discussed (or does not otherwise discuss such matter).

### **30.2 Directors' interests: contracts with the Company**

Subject to the Statutes and subject to disclosure of his interests in accordance with Article 30.3 a Director, notwithstanding his office:

- (a) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested;
- (b) may hold any other office or place of profit under the Company (except Auditor or auditor of a subsidiary of the Company) in conjunction with the office of Director for such period (subject to the Statutes) and upon such terms as the Board may decide and may be paid such extra remuneration for so doing (whether by way of salary, commission, participation in profits or otherwise) as the Board may decide, either in addition to or in lieu of any remuneration under any other provision of these Articles;
- (c) may be or become a member or director of, or hold any other office or place of profit under, or otherwise be interested in, any other company in which the Company may be interested;
- (d) may act by himself or his firm in a professional capacity for the Company (except as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;
- (e) shall not be liable to account to the Company for any profit, remuneration or other benefit derived from any such office, employment, contract, arrangement, transaction or proposal

and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

### **30.3 Declaration of interests: contracts with the Company**

- (a) For the purposes of this Article 30.3:
  - (i) "notice in writing" means notice given in accordance with the requirements of section 184 of the CA 2006 ; and
  - (ii) "general notice" means notice given in accordance with the requirements of section 185 of the CA 2006.
- (b) A Director who is in any way, whether directly or indirectly, interested in a proposed transaction or arrangement with the Company shall declare the nature and extent of his interest to the other Directors in accordance with the terms of section 177 CA 2006.
- (c) A Director who is in any way, directly or indirectly, interested in a transaction or arrangement that has been entered into by the Company, shall declare the nature and extent of his interest to the other Directors in accordance with the terms of section 178 CA 2006.
- (d) Any declaration of interest required by this Article shall be made at a meeting of the directors or by notice in writing or by general notice.

### **30.4 Interested director not to vote or count in quorum**

- (a) Subject to paragraph (b) below, a Director shall not vote or be counted in the quorum at a meeting in relation to any resolution of the Board or a committee of the Board relating to any contract, arrangement, transaction or other proposal in which he has an interest which, together with any interest of a person connected with him (within the meaning of section 252 CA 2006), is to his knowledge a material interest and, if he purports to do so, his vote shall not be counted.
- (b) The prohibition in paragraph (a) above shall not apply and a Director may vote and be counted in the quorum in respect of any resolution concerning any one or more of the following matters:
  - (i) any contract, arrangement, transaction or proposal in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company;

- (ii) the giving of any guarantee, security or indemnity in respect of:
  - (A) money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or
  - (B) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part (either alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- (iii) any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as a holder of any such securities or as an underwriter or sub-underwriter;
- (iv) any contract, arrangement, transaction or proposal concerning any other company in which he, and any persons connected with him (within the meaning of section 252 CA 2006), do not to his knowledge hold an interest in shares (within the meaning of sections 820 to 825 CA 2006) representing one per cent. or more of any class of the equity share capital of that company or of the voting rights available to members of that company;
- (v) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and/or
- (vi) the purchase or maintenance of insurance for the benefit of Directors or for the benefit of persons including Directors.”

and THAT the following definition be inserted in paragraph 1.2(a) of the Company’s articles of association:

““CA 2006” means the Companies Act 2006 as amended.”

**BY ORDER OF THE BOARD**

*Registered Office*

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

Susan Laker  
*Company Secretary*

23rd June 2008

*Notes:*

1. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the register of members of the Company as at 6.00 pm on 20th July 2008 (or, if this Meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned Meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at this time. Changes to entries in the register of members after that time shall be disregarded in determining the right of any person to attend or vote at this Meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. Completion and return of the enclosed form of proxy will not preclude shareholders from attending and voting at the Meeting.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares.

4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
5. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
6. To be valid, the form of proxy, together with the power of attorney, if any, under which it is signed, or a notarially certified copy thereof, must be received at the office of the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for the Meeting or any adjourned Meeting at which the proxy is to vote.
7. To change your proxy instructions, simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU on 0871 664 0300 (calls cost 10p per minute plus network extras).

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (CREST ID: RA10) by 11.00 am on 20th July. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

9. A copy of the register of directors' interests in the shares of the Company, the directors' service contracts and terms of appointment for the non-executive directors, the proposed changes to the existing articles of association of the Company (shown in revisions) and the terms of reference of the audit, remuneration and nomination committees are available for inspection at the Registered Office during normal business hours (Saturdays and Sundays excepted), until the Meeting and at the Meeting for a period of 15 minutes before the commencement until the conclusion of the Meeting.