

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 CHAIRMAN 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)
Marcelo Blanco (Executive Director)
Sir Robin Christopher (Non-Executive Director)
Andrew Morris (Non-Executive Director)

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

7 June 2010

To Shareholders

Dear Shareholder,

Annual General Meeting and Report and Accounts

This year's Annual General Meeting ("**AGM**") will be held at Rurelec PLC, 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ at 3.00 pm on the 30 June 2010. At the end of this letter you will find a notice convening the AGM.

Copies of the report and accounts of the Company for the twelve month period ended 31 December 2009 (the "**Report and Accounts**") are enclosed with this letter. 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. Schedule 1 to this letter explains the special business that is proposed at the AGM.

In addition to the special business described in this letter, shareholders should note that the board of directors is currently giving consideration to the possibility of implementing share option schemes or similar arrangements for employees and officers of the Company. It is intended that consultation will take place with major shareholders before any such arrangements are adopted.

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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event not later than 3.00 pm on 28 June 2010. Completion of the form of proxy will not preclude you from attending and voting at the AGM should you so wish.

Yours sincerely

James West
Chairman

SCHEDULE 1

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

The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 7 (inclusive) are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 8 and 9 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1: Report and Accounts

The directors must present to the shareholders at the AGM the accounts of the Company and the report of the directors and auditors for the year ended 31 December 2009.

Resolution 2: Election of Director

That Andrew James Sinclair Morris be elected as a director of the Company. Biographical details of Mr Morris are contained in the Annual Report.

Resolutions 3 to 5: Re-election of Directors

In accordance with the articles of association of the Company, James Glynn West, John Michael Eyre and Sir Duncan Robin Carmichael Christopher will retire by rotation at the AGM and will seek reappointment. The biographical details of each of these directors are set out in the Annual Report.

Following formal performance evaluation, the Board has determined that each of the Directors' performance continues to be effective and each of the Directors continues to demonstrate commitment to his role.

Resolution 6: Reappointment of Auditors and Auditors Remuneration

Grant Thornton LLP has agreed to continue as the Company's auditor until the conclusion of the next general meeting at which the accounts are laid before the Company. Resolution 6 proposes the reappointment of Grant Thornton LLP and authorises the Board to determine the auditor's remuneration.

Resolution 7: Authority to Allot Shares

Paragraph (a) of this resolution would give the directors the authority to allot Ordinary Shares or grant rights to subscribe for or convert any securities into Ordinary Shares up to an aggregate nominal amount of £1,428,381 (representing 71,419,096 Ordinary Shares). This amount represents approximately one-third of the issued ordinary share capital (excluding treasury shares) of the Company as at 6 June 2010, being the latest practicable date prior to publication of this notice of AGM (the "**Latest Practicable Date**").

Paragraph (b) of this resolution is a new authority sought and is in line with guidance issued by the Association of British Insurers. It would give the Board authority to allot Ordinary Shares or grant rights to subscribe for or convert any securities into Ordinary Shares in connection with a rights issue, to existing shareholders in proportion (as nearly as may be practicable) to their existing holdings, up to an aggregate nominal amount of £2,856,763 (representing 142,838,193 Ordinary Shares), as reduced by the nominal amount of any shares issued under paragraph (a) of this resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital (excluding treasury shares) of the Company as at the Latest Practicable Date.

The authority and power pursuant to Resolution 7 will expire on the later of 15 months from the date Resolution 7 is passed or the conclusion of the Company's next AGM.

The Board will continue to seek to renew these authorities at each AGM in accordance with current best practice. The Board has no present intention to exercise these authorities, except under paragraph (a) to satisfy the Company's obligations to holders of convertible loan notes.

SCHEDULE 1

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

continued

Resolution 8: Disapplication of Pre-emption Rights

This resolution would give the Board the authority to allot Ordinary Shares (or sell any Ordinary Shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

This authority would be limited to an aggregate nominal amount of £649,264 (representing 32,463,225 Ordinary Shares). This aggregate nominal amount represents approximately 15% of the issued Ordinary Share capital (including treasury shares) of the Company as at the Latest Practicable Date.

The authority and power pursuant to Resolution 8 will expire on the later of 15 months from the date Resolution 8 is passed or the conclusion of the Company's next AGM.

Resolution 9: Adoption of new articles of association

It is proposed in resolution 9 to adopt the new Articles of Association of the Company (the "**New Articles**"), in order to update the Company's existing Articles of Association (the "**Current Articles**") primarily to take account of the coming into force of the Companies Act 2006 (the "**Act**") and the Companies (Shareholders' Rights) Regulations 2009 (the "**Shareholders' Rights Regulations**"), as well as to reflect changes to the Uncertificated Securities Regulations 2001.

The principal changes introduced in the New Articles are summarised in Schedule 2 to this letter. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Act or, the Shareholders' Rights Regulations or the Uncertificated Securities Regulations 2001, or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills have not been noted in Schedule 2. The New Articles showing all the changes to the Current Articles are available for inspection, at the Company's registered office as noted in note 13 to the notice of AGM attached to this letter, and are also available from: www.rurelec.com/investors.

SCHEDULE 2

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Act significantly reduces the constitutional significance of a company's memorandum. The Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Act the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further the Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Act, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 9 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

2. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Act are in the main amended to bring them into line with the Act.

3. Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Act a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

4. Authorised share capital and unissued shares

The Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Act, save in respect of employee share schemes.

5. Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Act enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

6. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Act a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

SCHEDULE 2

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

continued

7. Provisions for employees on cessation of business

The Act provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

8. Use of seals

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the Act, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

9. Suspension of registrations of share transfers

The Current Articles permit the directors to suspend the registration of transfers. Under the Act share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

10. Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Innovation and Skills.

11. Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The Current Articles have been amended to reflect the changes.

12. Voting by corporate representatives

The Shareholders' Rights Regulations have amended the Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

13. General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

NOTICE OF ANNUAL GENERAL MEETING

RURELEC PLC (the "Company") (Company No. 4812855)

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 3.00 pm on the 30 June 2010 for the purpose of considering and, if thought fit, approving the following resolutions, of which resolutions 1 to 7 (inclusive) will be proposed as ordinary resolutions and resolutions 8 and 9 as special resolutions:

ORDINARY RESOLUTIONS

1. To receive and, if approved, to adopt the Company's accounts for the financial year ended 31 December 2009 together with the directors' report and the auditor's report on those accounts;
2. to elect Andrew James Sinclair Morris as a director;
3. to re-elect James Glynn West as a director;
4. to re-elect John Michael Eyre as a director;
5. to re-elect Sir Duncan Robin Carmichael Christopher as a director;
6. 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 (the "Act") and to authorise the directors of the Company to fix its remuneration;
7. That the directors of the Company be and are hereby authorised pursuant to section 551 of the Act to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act):
 - a. up to an aggregate nominal amount of £1,428,381; and
 - b. comprising equity securities up to a nominal amount of £2,856,763 (including within such limit any equity securities issued under paragraph (a) above) in connection with an offer by way of a rights issue:
 - i. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - ii. to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any matter.

The authority granted by this resolution shall (unless previously revoked, varied or extended by the Company in general meeting) expire on the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on the date falling 15 months from the date of the passing of this resolution, save that the Company may at any time 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 an offer or agreement as if this authority had not expired.

SPECIAL RESOLUTIONS

8. That subject to the passing of resolution 7, the directors be hereby given power to allot equity securities (as defined in section 560 of the Act) of the Company for cash under the authority given by resolution 7 and/or where the allotment is treated as an allotment of equity securities under section 560(2)(b) of the Act, in either case as if section 561(1) of the Act did not apply to such allotment provided that such power shall be limited:

NOTICE OF ANNUAL GENERAL MEETING

continued

- a. to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of resolution 7, by way of a rights issue only):
 - i. to the holders of the ordinary shares in the capital of the Company in proportion as nearly as practicable to their respective holdings of such shares;
 - ii. to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

and so that the directors may impose any limits or restrictions and make any arrangements as the directors may otherwise consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, or legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

- b. in the case of the authority granted under paragraph (a) of resolution 7 and/or in the case of any transfer of treasury shares which is treated as an allotment of equity securities under section 560(2)(b) of the Act, to the allotment otherwise than pursuant to paragraph (a) above, of equity securities up to an aggregate nominal value equal to £649,264,

provided that such power shall (unless previously renewed, varied or revoked by the Company in general meeting) expire on the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on the date falling 15 months from the date of the passing of this resolution, save 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 hereby had not expired.

9. That, with immediate effect:

- a. the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Act, are to be treated as provisions of the Company's Articles of Association; and
- b. the Articles of Association produced to the meeting (and initialled by the chairman of the meeting for the purpose of identification) be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

BY ORDER OF THE BOARD

Susan Laker
Company Secretary

7 June 2010

Registered Office

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

NOTES

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact Susan Laker or Maria Bravo of the Company, at the address set out above.
2. To be valid any Form of Proxy or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the office of Company's Registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU in each case no later than 3.00 p.m. on 28 June 2010.
3. The return of a completed Form of Proxy, other such instrument or any CREST Proxy Instruction (as described in paragraph 7 below) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
4. If you wish to attend the meeting in person, please attend at the Company's offices at 3.00 p.m. on 30 June 2010 at the Company's offices at 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ bringing appropriate identification so that you can be identified by the Company's Registrars. It is recommended that you arrive at least 15 minutes before the time appointed for the meeting to begin.
5. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 3.00 p.m. on 28 June 2010.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a 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.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 3.00 p.m. on 28 June 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. 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.
10. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that no more than one corporate representative exercise powers over the same share.
11. Under the Act the Company must answer any questions you ask relating to the business being dealt with at the meeting unless: (i) answering the question would interfere unduly with the preparation of the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
12. Information regarding the meeting, including the information required by section 311 of the Act, is available from www.rurelec.com
13. The following documents will be available for inspection at 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ from the date of this notice until the end of the AGM:
 - a. Copies of the executive directors' service contracts
 - b. Copies of letters of appointment of the non-executive directors
 - c. A copy of the proposed new Articles of Association of the Company (the "New Articles"), and a copy of the existing Articles of Association of the Company (the "Current Articles") marked to show the changes being proposed in resolution 9.