

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

Andrew Morris (*Chairman*)
Peter Earl (*Managing Director*)
Elizabeth Shaw (*Director of Finance*)
Marcelo Blanco (*Executive Director*)
Larry Coben (*Non-Executive Director*)

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

7 June 2011

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 10.00 a.m. on 30 June 2011. 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 2010 (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. Any such proposed arrangements will be in accordance with generally accepted principles as applied by AIM traded companies.

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 6.00 pm on 28 June 2011. Completion of the form of proxy will not preclude you from attending and voting at the AGM should you so wish.

Yours sincerely

Andrew Morris
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 6 (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. Resolution 7 is proposed as special resolution. 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 2010.

Resolution 2: Election of Director

That Lawrence Stephen Coben be elected as a director of the Company. Biographical details of Mr Coben are contained in the Annual Report.

Resolutions 3 to 4: Re-election of Directors

In accordance with the articles of association of the Company, Peter Earl and Elizabeth Shaw 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 continue to demonstrate commitment to their roles.

Resolution 5: 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 5 proposes the reappointment of Grant Thornton LLP and authorises the board to determine the auditors' remuneration.

Resolution 6: 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 £2,804,477 (representing 140,223,850 Ordinary Shares). This amount represents approximately 33 per cent. of the issued ordinary share capital (excluding treasury shares) of the Company as at 6 June 2011, 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 £5,608,953, (representing 280,447,650 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 67 per cent. 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 6 will expire on the later of 15 months from the date Resolution 6 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.

Resolution 7: 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 £420,671 (representing 21,033,550 Ordinary Shares). This aggregate nominal amount represents approximately 5 per cent. of the issued Ordinary Share capital (including treasury shares) of the Company as at the Latest Practicable Date prior to this AGM.

The authority and power pursuant to Resolution 7 will expire on the later of 15 months from the date Resolution 6 is passed or the conclusion of the Company's next AGM.

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 10.00 am on 30 June 2011 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 2010 together with the directors’ report and the auditor’s report on those accounts;
2. to elect Lawrence Stephen Coben as a director;
3. to re-elect Peter Richard Stephen Earl as a director;
4. to re-elect Elizabeth Ruth Shaw 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 (the “Act”) and to authorise the directors of the Company to fix its remuneration;
6. 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 £2,804,477; and
 - (b) comprising equity securities up to a nominal amount of £5,608,953 (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

7. That subject to the passing of resolution 6, 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 6 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:
- (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 6, 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 6 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 £420,671,

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.

BY ORDER OF THE BOARD

Susan Laker
Company Secretary

7 June 2011

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

Notes:

1. A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy to attend, speak and vote instead of him/her. A proxy need not be a member of the Company. More than one proxy may be appointed to exercise the rights attaching to different shares held by the member but a member may not appoint more than one proxy to exercise rights attached to any one share. A form of proxy is enclosed. To appoint more than one proxy, you may photocopy the enclosed form of proxy.
2. To be effective, completed forms of proxy and the power of attorney or other authority (if any) under which they are signed or a copy of that power or authority certified notarially or in accordance with the Powers of Attorney Act 1971 must be lodged in accordance with the instructions printed thereon and must be received by hand or by post to Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU by 6.00 p.m. on 28 June 2011 or not later than 48 hours before the time appointed for any adjourned meeting.
3. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person should he wish to do so.
4. 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 p.m. on 28 June 2011 or 48 hours before any adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. In the case of a member which is a company, the form of proxy must be executed under its common seal or signed on behalf of an officer of the Company or an attorney for the Company.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy procedures described in the CREST Manual. 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 the specifications of Euroclear UK & Ireland Limited ("Euroclear"), 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, to be valid, be transmitted so as to be received by Capita Registrars (participating ID R055) by the latest time for receipt of proxy appointments specified in this notice of meeting. 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 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 provider should note that Euroclear 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, 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 provider 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. 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).
11. 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.
12. As at 6 June 2011 (being the last practicable date prior to the publication of this notice of meeting) the Company's issued share capital consists of 420,671,505 ordinary shares carrying one vote each. Therefore the total voting rights in the Company as at 6 June 2011 are 420,671,505.
13. Except as provided above, members who have general queries about the General Meeting should call Capita Registrars' shareholder helpline between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday (except UK public holidays) on 0871 664 0445 from within the UK or +44 871 664 0445 if calling from outside the UK. No other methods of communication will be accepted. You may not use any electronic address provided either in this notice of meeting or any related documents (including the Chairman's Letter and Forms of Proxy) to communicate with the Company for any purposes.
14. Information regarding the meeting, including the information required by section 311 of the Act, is available from www.rurelec.com
15. 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.

