

Mr Murray Gribben
Chairman
Ruapehu Alpine Lifts Limited

16 October, 2015

Dear Murray,

As you know I have been seriously concerned about what, in my judgement, has been a weak approach by the Board to dealing with the causes of RAL's inadequate performance. The result has been a deteriorating financial performance (see Addendum) and, again in my judgement, increased risk.

An improved financial performance, as you well understand, is a critical enabler of a viable future for RAL.

Since 2011, when I was appointed as a director I have made determined efforts to ensure the changes and improvements which are critical for RAL's future. Given the inadequate progress I became increasingly forceful in my efforts (my email of 18 June is relevant - but only one of many) - still with only modest success; but to the point at which (in June 2015) all of the other directors asked me to resign and you supported this view.

I refused, as my duty as a director is to act in the best interests of the Company, not to win a popularity contest. But, it is now clear to me that I cannot succeed with the present Board composition and so I will, as requested by you on behalf of the rest of the Board, resign as a director (see below). The position of the Trust is also relevant to my decision.

I am an experienced and capable director and chairman and have led/ been part of many successful business and board improvement processes. I have also written, spoken and advised extensively on boards, directors, management and business performance - you have acknowledged my capability.

Since 2011 I have provided strong leadership, via specific proposals and policies advocated to improve RAL's performance and viability. These included: the comprehensive organisation review; management and related system changes; a better management information system; more appropriate budgets and capital plans; the development of the comprehensive financial model and testing of operating and development options; the "partnership" concept; regular communications on the state of the business and priority matters for improvement; and the recent independent review of the state of the business.

My views have been broadly and cautiously but not effectively supported by the other directors and management and there has been not enough progress. As a result I became increasingly blunt and challenging to my fellow directors - in the attempt to force progress.

I appreciate that the other directors find my approach disconcerting and discomforting but being a director can be like that! If I had considered we had been making good progress my approach would have been different!

But good directors are often questioning and challenging, and good boards have real diversity of thought and robust, challenging processes, in order to get good decisions and outcomes.

On the other hand, as I have often observed and cautioned, less experienced directors are often prisoners of their relatively small comfort zones. They shy away from unfamiliar, challenging and complex issues and make lowest common denominator decisions. In addition, they do not fully understand and assess the likely future consequences of avoiding the tough decisions.

The serious organisation and management changes that are needed by RAL are indeed complex and challenging.

In my opinion the root cause of RAL's problem is that the Board has a shared, relatively narrow culture and a lack of thought diversity, a quite limited comfort zone and an unwillingness to seriously challenge and change. These factors, in my judgement, prevail over the core objective of a director - to add value; and are the root cause of RAL's continuing poor results.

The key issue for RAL's shareholders and other stakeholders is the need to get a more effective Board - this is essential as it moves into a new era with new licences, in partnership with iwi.

The issue is not the capability of individual directors. It is the failure to develop a board that is a strong and effective team, with the right mix of capabilities, experience and personal attributes.

There have been some positive signs of progress with improvements since June - but not enough to deal effectively with the weaknesses and vulnerability of the business.

I acknowledge your excellent work with the Whakapapa licence renewal process. The renewal, and partnership approach, mean a great opportunity for RAL, which will not be realised with "same old, same old"!

In all of this it is not clear to me where the Trust sits and whether it is adding the value that it should. As the major shareholder in RAL have its trustees adequately understood RAL's problems and provided the leadership necessary to protect and enhance the interests of the beneficiaries of the Trust? The Trust's position and performance needs to be carefully considered.

So, there are a number of important issues that the RAL shareholders should actively address.

My resignation will take effect at 8am on 19 October, 2015.

I expect that RAL will arrange, as is customary, appropriate run-off D&O insurance cover for me and provide me with the details thereof.

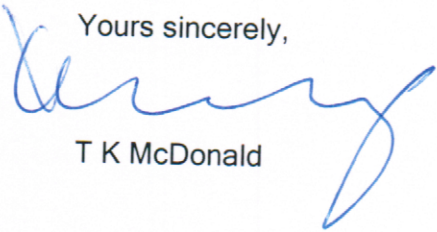
Please arrange for Management to provide to me on a memory stick a copy of the Board's minutes during my time as a Director.

I wish you as Chairman and RAL a very successful future and thank everyone at RAL for the many courtesies that they have shown to me over the years.

I look forward to continuing my interest in RAL as a skier, Life Pass Holder and Shareholder.

Please copy this letter to shareholders as they elected me as a director and are entitled to know why I have unexpectedly resigned.

Yours sincerely,


T K McDonald

Addendum:

RAL's Financial Performance 2012 - 2015 (Financial Years):

	2012	2013	2014	2015
Net Profit/skier day - \$/day	6.30	3.54	0.86	0.42
Net Profit/Net Assets - %	7.6	3.7	0.8	0.45
Liquidity Ratio	.30	.36	.18	.13

Source: RAL's Annual Reports

These numbers show steady deterioration, not improvement.

The Liquidity Ratio should, conventionally, be above 1.0 at all times.

The decline in Net Profit/Skier Day is a serious concern - as is the very low and declining Net Profit/Net Assets ratio.