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### **To the Shareholders of Rural Equities Limited**

On 14 May 2007 Rural Equities Limited (REL) received a takeover notice from H&G Limited (H&G) advising that H&G intends to make an offer to purchase shares in REL by means of a partial takeover offer pursuant to the Takeovers Code.

The notice states that the offer will be made to all shareholders for 2,223,792 shares at \$2.75 per share, payable in cash. Excess acceptances will be scaled back on a pro-rata basis.

H&G is owned by Sir Selwyn Cushing and David Cushing. H&G currently owns 40.83% of REL and other Cushing family entities own 9.27% (50.1% combined). The offer will be for sufficient shares to increase H&G's individual holding to 50.83%.

A Committee of Independent Directors (Roger Bonifant, Sir Ronald Carter, Murray Gough and Gerald Weenink) has been established to act on behalf of REL in respect of the offer. Brian Martin is not independent as he is a director of H&G. The Committee has (subject to approval from the Takeovers Panel) appointed KPMG to provide the independent adviser's report on the merits of the offer.

Each Shareholder will in due course receive the offer from H&G. REL is required by the Takeovers Code to send each shareholder a Target Company Statement containing further information including the independent adviser's report on the merits of the offer and any recommendation of the Committee of Independent Directors with respect to the offer. At this point we anticipate that the Target Company Statement will be sent to you together with the H&G offer in early June 2007.

**We recommend that shareholders do not take any action until they receive the Target Company Statement.**

Roger Bonifant  
**CHAIRMAN OF THE COMMITTEE  
OF INDEPENDENT DIRECTORS**