

31 May 2004



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To the Shareholders of Rural Equities Limited

H&G LIMITED PARTIAL TAKEOVER OFFER

1. In our letter of 3 May 2004, we advised that a takeover notice had been received from H&G Limited (H&G) indicating that H&G intended to make an offer to purchase 2,303,551 shares in Rural Equities Limited (REL), being sufficient shares for H&G and certain of its associates to hold 50.1% of REL's shares.
2. Shareholders should by now have received their offer documents from H&G. In accordance with the requirements of the Code, we enclose a booklet containing –
 - REL's target company statement in respect of the H&G offer, and
 - the independent adviser's report from Deloitte Corporate Finance on the merits of the H&G offer.
3. Since receiving the H&G offer, a notice of an intention to make an alternative offer has been received from St Laurence Equities Limited. The St Laurence offer is for 100% of REL shares (subject to achieving more than 50% of REL) at a price of \$1.50 per share. St Laurence has advised that they intend to send their offer to shareholders on 4 June 2004. We will endeavour to have the independent adviser's report and REL's target statement in respect of the St Laurence offer sent to shareholders as soon as possible after 4 June 2004.
4. **WE STRONGLY ADVISE SHAREHOLDERS TO DO NOTHING IN RESPECT OF EITHER OFFER UNTIL WE ARE IN A POSITION TO PROVIDE ADVICE ON THE MERITS OF EACH. WE WILL DO THAT IN SUFFICIENT TIME FOR SHAREHOLDERS TO ACCEPT THE H&G OFFER IF THEY SO WISH BEFORE ITS EXPIRY ON 24 JUNE 2004.**
5. In the meantime, we encourage Shareholders to read carefully REL's target company statement and the Deloitte Corporate Finance report on the H&G offer, and to seek independent advice if unsure about the information presented or about what action to take.

Sir Selwyn Cushing, David Cushing, and Brian Martin did not take part in the discussions with respect to the H&G offer because they are directors of H&G.

R M Gough
CHAIRMAN OF THE COMMITTEE
OF INDEPENDENT DIRECTORS