

3 May 2004

To the Shareholders of Rural Equities Limited

On 30 April 2004 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 on a pro rata basis for 2,303,551 shares at \$1.25 per share, payable in cash.

H&G is owned by Sir Selwyn Cushing and David Cushing. H&G together with its Associates currently own 34.56% of the REL shares. The offer will be for sufficient shares to enable H&G and its Associates to hold 50.1% of REL's shares.

A committee of Independent Directors (Roger Bonifant, Murray Gough and Gerald Weenink) has been established to act on behalf of REL in respect of the offer. The committee has (subject to approval from the Takeovers Panel) appointed Deloitte to provide the independent adviser's report on the merits of the offer that is required by the Takeovers Code.

Each Shareholder will in due course receive the offer from H&G. The Independent Directors are 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 Independent Directors with respect to the offer. We recommend that Shareholders do not take any action with respect to the offer until they receive the Target Company Statement. At this point we anticipate that the Target Company Statement will be sent to you together with the H&G offer.



Murray Gough
CHAIRMAN OF THE COMMITTEE
OF INDEPENDENT DIRECTORS