

21 May 2004

**To the Shareholders of Rural Equities Limited**

**IMPORTANT NEW DEVELOPMENT**

Rural Equities Limited (REL) received a takeover notice from St Laurence Equities Limited (St Laurence) on 20 May 2004 advising that St Laurence intends to make an offer to purchase 100% of the shares in REL by means of a full takeover offer pursuant to the Takeovers Code.

The notice states that the offer will be for the total 14,825,260 REL shares on issue at \$1.50 per share, payable in cash. The offer is conditional upon St Laurence receiving acceptances which will result in it holding more than 50% of the REL shares on issue.

The Committee of Independent Directors (Roger Bonifant, Murray Gough and Gerald Weenink) which has been appointed to act in respect of the H&G Limited ("H&G") offer has also been appointed to act in respect of the St Laurence offer.

On 3 May 2004 we wrote to shareholders advising that a partial offer from H&G for 2,303,551 shares at \$1.25 was received by REL on 30 April 2004. That offer was for sufficient shares to enable H&G and its associates to hold 50.1% of REL's shares.

We understand that H&G will send you their offer documents during the week commencing 24 May 2004 and we now anticipate that REL's Target Company Statement and the Deloitte report in respect of the H&G offer will follow shortly thereafter.

Under the Takeovers Code the St Laurence offer cannot be sent to you until 3 June 2004. We will send you REL's Target Company Statement and independent adviser's report in respect of the St Laurence offer as soon as possible thereafter.

**The Committee has previously recommended that shareholders should take no action in respect of the H&G offer until they receive REL's Target Company Statement for that offer. Shareholders are now advised to take no action on either the H&G offer or the St Laurence offer pending receipt of further advice from the Committee.**



Murray Gough  
**CHAIRMAN OF THE COMMITTEE**  
**OF INDEPENDENT DIRECTORS**