realestate.com.au®

24 October 2005

Dear Shareholder,

Reject News Limited's final revised offer of $2.50 per REA share

News Limited has recently increased its unconditional cash offer for all of the shares in realestate.com.au Ltd ("**REA**") which it does not already own from $2.00 cash per REA share to $2.50 cash per REA share.

Both of the Independent Directors (Sam White and I) recommend that you **do not accept this offer**. Neither Sam nor I will accept News Limited's offer in relation to our own REA shares.

REA's Target's Statement (dated 25 August 2005) set out the reasons for our unanimous recommendation to reject News Limited's initial $2.00 cash per share offer.

Enclosed with this letter is a Supplementary Target's Statement setting out our response to News Limited's revised offer and the reasons why we believe News Limited's revised offer should be rejected.

You should read the Supplementary Target's Statement carefully, taking into account your own individual risk profile, portfolio strategy, tax position and financial circumstances.

To REJECT News Limited's offer you should simply disregard all documents from News Limited. Do nothing.

Yours sincerely

John McGrath
Chairman

*If you have any questions, please call the official shareholder information line on **1300 557 053** (toll-free within Australia) or on **+61 3 9415 4216** (from outside Australia), Monday to Friday between 9.00am and 6.00pm (Melbourne time).*

Please note that, as required by the Corporations Act, calls to these numbers will be recorded and those recordings will be indexed and stored.

NETWIDE SOLUTIONS PTY LTD ABN 21 080 195 535
Level 2, 678 Victoria St, Richmond VIC 3121 t 03 9897 1121 f 03 9897 1114 e info@realestate.com.au

1. INTRODUCTION

This supplementary target's statement dated 24 October 2005 is issued by REA pursuant to section 644 of the Corporations Act ("**Supplementary Target's Statement**").

This Supplementary Target's Statement is given in response to the Bidder's Statement issued by News Limited dated 1 August 2005, as supplemented by the first supplementary bidder's statement dated 15 August 2005, the second supplementary bidder's statement dated 5 September 2005, the third supplementary bidder's statement dated 13 October 2005 and the fourth supplementary bidder's statement dated 18 October 2005.

You should read this Supplementary Target's Statement in its entirety.

This Supplementary Target's Statement is supplemental to, and is to be read together with, the Target's Statement dated 25 August 2005 ("**Target's Statement**"). This Supplementary Target's Statement will prevail to the extent of any inconsistency with the Target's Statement.

A copy of this Supplementary Target's Statement was lodged with ASIC on 24 October 2005. Neither ASIC nor the ASX take any responsibility for the contents of this Supplementary Target's Statement.

2. NEWS LIMITED'S FINAL REVISED OFFER

On 18 October 2005, News Limited announced that it would increase its unconditional cash offer for all of the REA Shares that it does not already own from $2.00 per REA Share to $2.50 per REA Share ("**New Offer Price**"). News Limited declared this to be its final offer, which will not be increased again.

News Limited's Offer is scheduled to close at 7pm (Sydney time) on 28 October 2005.

3. DIRECTORS' RECOMMENDATION AND INTENTIONS

The Independent Directors continue to recommend that REA Shareholders **REJECT** the News Limited Offer for the reasons set out under the section entitled "Why you should REJECT News Limited's Offer" in the Target's Statement, as supplemented by section 3 of this Supplementary Target's Statement.

Both of the Independent Directors still intend to reject News Limited's Offer in respect of the REA Shares held by them or on their behalf.

Each of Stephen Rue, Alasdair Macleod and Martin Hoffman continue to decline to make a recommendation to REA Shareholders with respect to the Offer in view of their positions as directors or executives of News Limited (in the case of Messrs Rue and Macleod) or ninemsn Pty Ltd (in the case of Mr Hoffman). Martin Hoffman is considered to be independent of News Limited's Offer, but believes that it is not appropriate for him to make a recommendation to REA Shareholders given that he is Chief Executive Officer of ninemsn Pty Ltd, which sold 3,221,230 REA Shares to News Limited at $2.00 per REA Share immediately prior to the announcement of the News Limited Offer.

Ninemsn Pty Ltd has stated that it intends to accept the News Limited Offer with respect to the remaining 1,746,060 REA Shares held by it.

4. WHY YOU SHOULD REJECT NEWS LIMITED'S OFFER

News Limited's Offer is too low

Your Independent Directors believe News Limited's Offer is too low. Your Independent Directors and the REA CEO, Simon Baker, will decline News Limited's Offer in relation to their own REA shares.

The Independent Expert valued REA Shares at between $2.48 and $2.73 per share. The New Offer Price falls just two cents inside the low end of that valuation range and falls below the midpoint of it by more than 10 cents.

Since the date of the Target's Statement, the following has occurred:

- forecast 2006 PE trading multiples for REA's closest comparable on the Australian market, SEEK Limited, have increased 4.7%;
- REA has met its FY2006 EBIT budgets (before takeover costs) for the September quarter of that year; and
- REA has announced the potential investment in a European property portal business.

Comparison with the prices of REA's closest comparable on the Australian market, SEEK Limited, indicates News Limited's Offer is too low:

  - as at 20 October 2005, SEEK Limited's forecast FY2006 PE multiple was 27.1 times and, importantly, excludes a premium for control[1]. News Limited's Offer for REA implies a FY2006 PE multiple for REA of 28.8 times (before takeover costs), which is only marginally higher than SEEK Limited's trading PE multiple considering it should include a premium for control; and
  - in addition, REA is delivering faster growth than SEEK Limited and should therefore attract a higher multiple than SEEK Limited.

REA has a robust business with strong growth potential

Your Independent Directors continue to believe REA has a robust business with strong growth potential for the reasons set out in the Target's Statement. These are:

- REA is the clear leader in the Australian online real estate advertising industry. It has increased both its visitor numbers and subscribing agent numbers since News Limited's Offer was announced;
- REA has developed excellent relationships with its core advertising customers, the real estate agents;
- REA has a strong track record of financial growth;
- growth is expected to continue with REA budgeting $51m in revenues and $14m in Earnings Before Tax ("EBT") in FY2006 (before takeover costs). Management accounts to 30 September 2005 and the outlook for the

[1] The premium generally paid in takeovers in Australia are around 30% to 35% above the pre-bid trading price.

remaining nine months indicate that the business is on track to deliver this budget;

- REA is the market leader with great growth potential in a rapidly expanding part of the real estate advertising market; and

- REA is well positioned to leverage its skills and capabilities offshore as well as into other parts of the real estate life cycle. On 11 October 2005, REA announced it had entered into formal discussions to acquire a significant shareholding in a European property portal business for a consideration of up to $20m. On 12 September 2005, REA announced the official launch of its New Zealand real estate site, allrealestate.co.nz, with more than 300 agents.

5. CONSIDERATIONS PRIOR TO FOLLOWING RECOMMENDATION

While your Independent Directors unanimously recommend that you reject News Limited's Offer, and will reject it themselves, REA Shareholders in considering whether to follow that recommendation should:

- read the whole of this Supplementary Target's Statement in conjunction with the Target's Statement and the Bidder's Statement (as supplemented by the four supplementary bidder's statements);

- consider your individual risk profile, portfolio strategy, tax position and financial circumstances; and

- obtain independent financial and taxation advice on the effect of accepting News Limited's Offer.

You should also consider the following:

- while your Independent Directors believe that REA has strong potential for long term, sustained growth, that growth cannot be guaranteed and is not without risk. If growth is not delivered, REA may trade below the New Offer Price for a sustained period;

- it is likely that some REA Shareholders will accept News Limited's Offer. Depending on the number of REA Shares News Limited does acquire, the following may occur:

  - liquidity in the market for REA Shares may decrease making it more difficult to sell REA Shares and/or the trading price for REA Shares may not accurately reflect underlying value;

  - News Limited having the majority of votes at meetings of shareholders, thereby enabling it to control the composition of the Board and the management of REA, as well as to determine dividend policy and the strategic direction of REA's business. News Limited holds 10,000,000 options, each to acquire one REA Share, exercisable at 20 cents each on or before 8 February 2006. News Limited has stated in its Bidder's Statement that it intends to exercise these options prior to the expiry date. If News Limited does exercise these options, it would take its shareholding in REA to 48% on a fully diluted basis (before taking into account any REA Shares acquired pursuant to the News Limited Offer); and

  - the likelihood of alternative bidders may decrease meaning the chances of competing bids and competitive tension positively influencing any further bid by News Limited may erode;

- the volume weighted average price of REA Shares since announcement of the FY2006 budget up to the last closing price on 20 October 2005 was $2.46. This is less than the New Offer Price. REA's shares may trade below the New Offer Price until REA demonstrates its ability to achieve its growth potential.

6. ADDITIONAL INFORMATION

6.1 Defined Terms

Terms defined and used in this Supplementary Target's Statement have the same meaning as in the definition section (Section 8) of the Target's Statement, unless the contrary intention appears.

6.2 Takeover defence costs

As previously stated, the FY2006 budget numbers contained in the Target's Statement and the Supplementary Target's Statement do not include takeover defence costs as these are non-recurring and therefore not reflective of the underlying performance of REA.

The Independent Directors believe that these costs may have a material effect on REA's FY2006 financial performance. The takeover defence costs to date are estimated to be $1.7 million inclusive of the completion fee payable to Grant Samuel Corporate Finance Pty Limited ("Grant Samuel") as discussed below.

The Independent Directors on behalf of REA entered into an agreement with Grant Samuel pursuant to which it engaged Grant Samuel to act as its financial adviser in relation to the News Limited Offer.

Under the agreement, a completion fee is payable if the News Limited Offer, or any other offer for the acquisition of all the issued shares in REA is made and that offer increases the consideration offered to REA Shareholders when compared to the original News Limited Offer.

As a result of the increased News Limited Offer, this completion fee is now payable. The completion fee is equal to 3.5% of the offer price per REA Share in excess of $2.00 (ie. 50 cents) multiplied by the total number of REA Shares not owned by News Limited at the time of the bid. Accordingly, a completion fee equal to $1.1m is now payable by REA to Grant Samuel.

6.3 No Account of Personal Circumstances

The information in this Supplementary Target's Statement does not constitute financial product advice. This Supplementary Target's Statement does not take into account the investment objectives, financial situation or particular needs of individual REA shareholders. This Supplementary Target's Statement does not contain personal financial or taxation advice. REA and the Independent Directors encourage you to seek independent financial and taxation advice before making a decision whether or not to accept News Limited's Offer.

6.4 Consent to inclusion of statements

Mr Simon Baker has given and has not, before the date of issue of this Supplementary Target's Statement, withdrawn his consent to:

- be named in this Supplementary Target's Statement in the form and context in which he is named; and
- the inclusion of the statement of intention in section 4 of this Supplementary Target's Statement in the form and context in which it is included in this Supplementary Target's Statement.

ninemsn Pty Ltd has given and has not, before the date of this Supplementary Target's Statement, withdrawn its consent to:

- be named in this Supplementary Target's Statement in the form and context in which it is named; and
- the inclusion of the statement of intention in section 3 of this Supplementary Target's Statement in the form and context in which it is included in this Supplementary Target's Statement.

Further, each Director has given and has not, before the date of this Supplementary Target's Statement, withdrawn their consent to be named in this Supplementary Target's Statement as a Director and to the inclusion of statements in this Supplementary Target's Statement made or authorised by him, in the form and context which the statements are included.

Each of the above persons:

- does not make, or purport to make, any statements in this Supplementary Target's Statement or any statement on which a statement in this Supplementary Target's Statement is based other than those statements referred to above and as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Supplementary Target's Statement other than as described in this section with the person's consent.

6.5 Authorisation

This Supplementary Target's Statement has been approved by a unanimous resolution passed by the Independent Directors on 24 October 2005. Mr Rue, Mr Macleod and Mr Hoffman did not participate in the resolution approving this Supplementary Target's Statement, having chosen not to.

Signed by a Director, pursuant to section 351 of the Corporations Act.

Date 24 October 2005

John McGrath
Chairman