

Betta Stores Ltd. ABN 44 009 710 605 ☒BSL Finance Pty. Ltd. ABN 14 058 061 822 ☐Betta Electrical Pty. Ltd. ABN 61 058 660 245 ☐Betta Buying Associates Pty. Ltd. ABN 88 091 558 175 ☐Buy-Rite Stores Pty. Ltd. ABN 41 059 881 220 ☐Sleepy's Pty. Ltd. ABN 51 104 154 627 ☐

Dated 26 October 2005

Dear Shareholder

As part of our Company's evolution and development, it is proposed by the Board that certain restrictions and limitations included in the Company's constitution as approved at the general meeting of 11 June 2004 be removed.

You may recall that these restrictions and limitations imposed:

- a 7.5% ordinary shareholding limit;
- veto rights in favour of holders of retailer shares to enable them to vote down or overturn 'key resolutions'; and
- a requirement that retailer shareholders have retailer directors appointed to the Board, where their numbers would be dominant.

These restrictions and limitations were initially considered as desirable to ensure that our Company could not be easily taken over and that retailers continue to control your Company, ie consistent with its historical past. Your Board now believes that these restrictions and limitations are in fact significantly inhibiting your Company's potential to be identified as an independent competitor with some of the big names in our market space. The Explanatory Memorandum with this letter sets out the Board's reasons why we think it is important to evolve beyond being an association of retailers and now be recognised as a major player in the retail market.

The restrictions and limitations included in the Company's constitution were never presented as and were never meant to be permanent. There was a maximum longevity period of 5 years (subject to renewal) once we listed on The Stock Exchange of Newcastle Limited. Sooner or later, a decision needs to be made as to whether the restrictions and limitations are removed. Your Board thinks this should happen sooner, rather than later and believes this year's AGM is appropriate to propose a resolution to remove these restrictions and limitations.

Prior to the AGM, the Chief Executive Officer of the Company, Guy Houghton, and I will be conducting a series of roadshows around Australia commencing on Monday 14 November 2005, these dates will be advised to you separately. At these roadshows, we will explain why these changes are important for the future of the Company and answer any questions relating to the proposed changes you might have.

In technical legal terms, there will be a need to have 3 separate meetings of shareholders for this purpose, ie:

- the AGM for all shareholders;
- a general meeting for retailer shareholders; and
- a general meeting for ordinary shareholders.

Our AGM this year will be in Melbourne to highlight our philosophy that we are a national company and that there is no need for there to be a specific city or place in Australia for our AGM.

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The Company's financial results this year are reflective of the current economic conditions and whilst the Board believes this downturn in retail sales is temporary, it also believes the Company now needs to move to a level playing field and have the ability to raise capital into the future . The Board requests that you consider carefully the proposed changes to the Constitution and what the removal of the restrictions and limitations will have on the long term future of the Company and its value.

If you are not able to attend the AGM or one of the other shareholder meetings, I ask that you consider the importance of these changes and take the time to complete the relevant proxy forms for your shareholding and return them to the Company by the required deadline.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Patrick J. Tynan', written over a horizontal line.

Patrick J. Tynan
Chairman