

730-030



Target Company Statement of Blue Sky Meats (NZ) Limited

**PREPARED IN ACCORDANCE WITH RULE 46 OF THE TAKEOVERS CODE IN
RELATION TO THE FULL TAKEOVER OFFER BY LOWE CORPORATION LIMITED
TO PURCHASE ALL OF THE SHARES IN BLUE SKY MEATS (NZ) LIMITED**

23 OCTOBER 2002

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to how to deal with this document, please consult your professional adviser.



STATEMENT BY BLUE SKY MEATS (NZ) LIMITED ("TARGET COMPANY")

(Pursuant to Rule 46(a) of the Takeovers Code ("the Code"))

1. DATE

The date of this Target Company Statement is 23 October 2002.

2. OFFER

2.1 The Offer ("the Offer") to which this Statement relates is an offer by Lowe Corporation Limited ("Lowe Corporation") to purchase all of the shares ("the Shares") in Blue Sky Meats (NZ) Limited at the date of the Offer.

The terms of the Offer are set out in the Offer Document dated the 8th of October 2002 ("the Offer Document") which was sent to shareholders by Lowe Corporation on the 8th of October 2002.

3. TARGET COMPANY

3.1 The name of the Target Company is:

Blue Sky Meats (NZ) Limited ("Blue Sky")
C/- McCulloch and Partners
Cargill Chambers
128 Spey Street
PO Box 844
Invercargill

4. DIRECTORS OF BLUE SKY

4.1 The names of the Directors of Blue Sky are:

Peter John Carnahan
Graham John Cooney
James Peter Houlker
Malcolm John McMillan
Barry Charles Thomas

5. OWNERSHIP OF EQUITY SECURITIES OF BLUE SKY

5.1 The number, designation and the percentage of equity securities of any class of Blue Sky held or controlled by

5.1.1 Each director or senior officer of Blue Sky and their associates;

DIRECTORS AND SENIOR OFFICERS INTERESTS SHAREHOLDING		
	No of Shares held or controlled	Percentage of Total Shares
P J Carnahan	496,535*	6.78%
G J Cooney	510,000*	6.96%
J P Houlker	29,836*	0.32%
M J McMillan	4,354*	0.06%
B C Thomas	27,676*	0.37%
<i>* includes interests in Associates and Trusts</i>		

5.1.2 To the knowledge of Blue Sky any other person holding or controlling more than 5% of the class are as follows:

OTHER PERSONS WITH SHAREHOLDING GREATER THAN 5%		
Horizon Meats New Zealand Limited	2,709,594	37.01%
Waikiwi Casings Co Limited	1,099,436	15.02%

5.2 There are no Directors who do not hold or control equity securities in Blue Sky.

5.3 During the 2-year period ending with the date of this statement no equity securities of Blue Sky have been issued to the Directors and Senior Officers of Blue Sky or their associates.

5.4 During the 2-year period ending with the date of this statement no Directors, Senior Officers or their Associates have obtained a beneficial interest under an employee share scheme or other remuneration arrangement to any equity securities of Blue Sky.

6. TRADING IN EQUITY SECURITIES OF BLUE SKY

6.1 Directors, Senior Officers and their Associates who have acquired or disposed of equity securities of Blue Sky during the 6-month period before the latest practicable date before the 22nd of October 2002 being the latest practicable date before the date of this statement are as follows.

Name: Peter John Carnahan (includes shares held by Associates)

Date of Transaction	Number of Shares	Consideration per share
15 th October 2002	4,781	\$4.50
15 th October 2002	1,500	\$4.50
15 th October 2002	6,750	\$4.50
15 th October 2002	11,213	\$4.50
21 st October 2002	2,250	\$4.50
21 st October 2002	1,125	\$4.50
21 st October 2002	2,250	\$4.50

7. ACCEPTANCE OF OFFER

- 7.1 No Directors, Senior Officers and their Associates have accepted or intend to accept the Takeover Offer in respect of their shares.

8. OWNERSHIP OF EQUITY SECURITIES OF LOWE CORPORATION

- 8.1 No equity securities in Lowe Corporation are held by Blue Sky, its Directors or Senior Officers and their Associates of Blue Sky.

9. TRADING IN EQUITY SECURITIES OF LOWE CORPORATION

- 9.1 No equity securities in Lowe Corporation were acquired or disposed of by Blue Sky, its Directors, Senior Officers, and their Associates during the six month period before the 22nd of October 2002 being the latest practicable date before the date of this statement.

10. ARRANGEMENTS BETWEEN LOWE CORPORATION AND BLUE SKY

- 10.1 No arrangement (whether legally enforceable or not) has been made or is proposed to be made between Lowe Corporation or an associate of Lowe Corporation and Blue Sky or a Related Company of Blue Sky in anticipation of or in response to the offer **HOWEVER** Lowe Corporation has stated, in paragraph 16 of its Offer Document, that Horizon Meats New Zealand Limited (Horizon) has irrevocably agreed that, if the offer becomes unconditional, it will terminate the current Marketing Contract between Blue Sky Marketing Limited, Blue Sky Meats, Horizon Meats New Zealand Limited and Others dated the 21st of October 1995, and to transfer to Blue Sky Marketing Limited exclusive ownership of and right, title and interest in the brand name "Horizon" and all trade marks, insignia, designs and logos associated with that brand name, for an aggregate payment of \$2.7 million to be made by Blue Sky Marketing Limited, and to certain other consequential matters.
- 10.2 Blue Sky states that it has not agreed to any such arrangements but it is inferred from the statement in the Offer Document of Lowe Corporation that such agreement is likely to be accepted if Lowe Corporation declares the offer unconditional and becomes the controlling shareholder in Blue Sky.

11. NO RELATIONSHIP BETWEEN LOWE CORPORATION AND DIRECTORS AND SENIOR OFFICERS OF BLUE SKY

- 11.1** No agreement or arrangement (whether legally enforceable or not) has been made or is proposed to be made between Lowe Corporation or Associates of Lowe Corporation and Directors or Senior Officers of Blue Sky or any Related Company of Blue Sky in connection with or in anticipation of or in response to the offer.
- 11.2** No Directors or Senior Officers of Blue Sky are also Directors or Senior Officers of Lowe Corporation, or any Related Company of Lowe Corporation.

12. AGREEMENT BETWEEN BLUE SKY AND DIRECTORS AND SENIOR OFFICERS OF BLUE SKY

- 12.1** The following arrangement has been made between Blue Sky and the Directors and Senior Officers of Blue Sky under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the offer.

The Directors of Blue Sky are to be paid total emolument by way of Director's fees and allowance less any Company subsidy for a pension scheme (if any) equal to the last three years remuneration ended the 31st of March 2002 for compensation and loss of office as Directors.

13. INTERESTS OF DIRECTORS AND SENIOR OFFICERS OF BLUE SKY IN MATERIAL CONTRACTS OF LOWE CORPORATION

- 13.1** No Directors, Senior Officers or their Associates, or any other people who to the knowledge of the Directors or the Senior Officers of Blue Sky hold or control more than 5% of any class of equity securities of Blue Sky, have interests in material contracts to which Lowe Corporation or a Related Company of Lowe Corporation is a party.

14. ADDITIONAL INFORMATION

- 14.1** The Directors of Blue Sky consider that no information in the offer document is incorrect or misleading.

15. RECOMMENDATION

- 15.1** The Directors recommend that shareholders **DO NOT** accept the offer for the following reasons:
- Whilst the Directors accept the monetary value being offered for each share is fair the Directors believe there is further value to be added to Blue Sky in the future, including the development of a Protein Extraction Plant and by continuing to enhance Blue Sky's already successful profit record.
 - The future for Blue Sky is to have a solid farmer/shareholder base which should be expanded so the shareholding is stable and locally owned. The Directors are concerned that if Lowe Corporation reduces the percentage

level for acceptance to more than 50% for shareholder acceptances (paragraph 4.1 Lowe Corporation Offer), Lowe Corporation will be able to take control of the Company.

- It is the Directors' view that for farmers to secure their future farming profitability they should retain ownership and control of Blue Sky.
- That a change in control of the ownership of Blue Sky is likely to have a detrimental effect on the present management structure and key personnel.
- A substantial number of shareholders have indicated they are keen to retain their shareholding as they perceive an excellent future for Blue Sky and recognise the importance of maintaining significant local ownership.
- The current marketing contract with Horizon has contributed to the success of Blue Sky. The Directors **do not** agree with the cancellation of the marketing contract and are concerned this could have a detrimental effect on future returns.
- The Directors are also concerned that if the percentage level of acceptance for shares is reduced from 90% (see paragraph 4.1 Lowe Corporation Offer) to a figure of more than 50% then:
 - Shareholders should be mindful that those shareholders who do not accept and remain as shareholders will pay (as shareholders of the Company), for the termination of the Marketing Contract at a value negotiated by Lowe Corporation and Horizon (see page 25[5] Independent Advisor Report Polson Higgs October 2002).

“However we do not have access to any further information to verify this and we therefore cannot make any determination as to whether \$2.7 million is a fair value for this transaction.”
 - One shareholder (Horizon) may receive additional consideration for its shares which is different to the other shareholders (see page 39 [7.6] Independent Advisor Report Polson Higgs October 2002).

“The effect of any over compensation for terminating this contract could result in additional consideration being received by Horizon”.

15.2 James Peter Houlker abstains from making a recommendation or statement as he has been a past employee of Horizon and could be considered to have a potential conflict of interest.

16. ACTIONS OF BLUE SKY

16.1 No material agreements or arrangements of Blue Sky and its Related Companies (whether legally enforceable or not) have been entered into as a consequence of or in response to or in connection with the offer.

16.2 There are no negotiations under way in response to or in connection with the offer that relate to or could result in:

- An extraordinary transaction, such as a Merger, Amalgamation, or Reorganisation, involving Blue Sky or any of its Related Companies; or

- The acquisition or disposition of material assets by Blue Sky or any of its Related Companies; or
- An acquisition of equity securities by, or of, Blue Sky, or any Related Company of Blue Sky; or
- Any material change in the equity securities on issue, or policy relating to distributions of Blue Sky.

17. EQUITY SECURITIES OF BLUE SKY

17.1. A total of 7,320,924 equity securities in Blue Sky have been issued.

17.2 The holders of those equity securities have the following rights in respect of capital, distributions and voting:

All shares have the right to vote at meetings of shareholders and on a poll to cast one vote for each share held, and the right to an equal share in dividends and other distributions made by Blue Sky, and the right to an equal share in the distribution of the surplus assets of Blue Sky on its liquidation.

17.3 There are no material terms of the equity securities that are options, or rights to acquire equity securities.

18. FINANCIAL INFORMATION

18.1 The shareholders of Blue Sky are entitled to obtain from Blue Sky a copy of the most recent annual report (being the 2002 Annual Report) of Blue Sky.

18.2 There has been no half yearly or interim reports prepared for shareholders in relation to Blue Sky.

18.3 Since 31 March 2002 (being the date of the 2002 Annual Report) there have been no material changes in the financial or trading position or prospects of Blue Sky.

18.4 Apart from the Polson Higgs Independent Report included with this Statement, there is no further information about the assets, liabilities, profitability and financial affairs of Blue Sky that could reasonably be expected to be material to the making of a decision by the shareholders of Blue Sky to accept or reject the offer.

19. INDEPENDENT ADVICE ON MERITS OF OFFER

19.1 An independent adviser's report was provided under Rule 21 of the Code and a copy of the full report prepared by that adviser is enclosed. The identity of the independent adviser is Polson Higgs & Co.

20. ASSET VALUATION

20.1 No independent valuation of any specific asset has been undertaken and therefore is not in this statement.

21. PROSPECTIVE FINANCIAL INFORMATION

21.1 No information provided in this statement refers to prospective financial information.

22. SALES OF UNQUOTED EQUITY SECURITIES UNDER OFFER

- 22.1 The equity securities that are the subject of the offer are not quoted on the NZSE. All the information that Blue Sky has as to the number of those equity securities that have been disposed of in the 12 months ending on the 22nd of October 2002 being the latest practicable date before the date on which this statement is sent out, and the consideration for those dispositions, is detailed below:

DATE	SHARES	CONSIDERATION	
7/11/01	1,125	2.85	
	1,400	3.20	
	3,038	3.20	
	100	3.40	
	2,900	3.40	
	1,900	3.40	
	2,599 *	-	
	1,100	3.20	
	1,000	3.35	
	20/02/02	41,513 *	-
	1,800	2.70	
	850	2.95	
	2,250	2.95	
	2,000	2.70	
	3/04/02	150	2.90
1/05/02	2,500	2.95	
	2,000	3.05	
	4,050	3.00	
	250	3.00	
	450	3.00	
	3,000 *	-	
	2,000	2.96	
	6,750 *	-	
	1,000	3.00	
	25/06/02	2,000	3.25
		2,000	3.20
		4,500	3.10
23/07/02	1,125	3.10	
	2,500	2.70	
	2,500	2.70	
	3,025	3.00	
	381	3.00	
	69	3.00	
	1,337	2.70	
	594	2.70	
	1,406	2.75	
	3,000	3.00	
	6,750 *	-	
	4,586 *	-	

	3,087 *	-
	4,050	3.00
27/08/02	4,500 *	-
2/10/02	2,000	3.40
	10,000 *	-
15/10/02	4,781	4.50
	1,500	4.50
	6,750	4.50
	11,213	4.50
21/10/02	2,250	4.50
	1,125	4.50
	2,250	4.50

* no consideration disclosed (includes family rearrangements)

23. OTHER INFORMATION

23.1 Your Directors advise that in the event of the Lowe Corporation share offer being unsuccessful, it is the intention of the Directors to consider negotiating the exit of the Horizon shareholding.

Whilst it is difficult to be precise, because a number of shareholder resolutions and Blue Sky restructuring may be necessary, some of the alternatives listed below could be embarked upon so as to buyback/buyout/cancel the Horizon shareholding.

This action would require some of the following and even a combination:

1. The cancellation of shares by way of buyback organised by Blue Sky.
2. The acquisition of Horizon which would include the 37% shareholding in Blue Sky.

Blue Sky has funds of approximately \$6 million that could go towards some of the above options and your Directors believe it would not be difficult to raise a further \$6 million through borrowing. The Directors are also of the view that given the appropriate shareholder resolutions, they **may** consider a 1 for 2 cash issue at \$2.00 which would also assist in a rearrangement package.

23.2 We remind you that Blue Sky's shares are freely traded on the Secondary Board and that there are generally Otago and Southland buyers who wish to purchase shares from shareholders keen to realise on their investment.

23.3 Shareholders, when making decisions as to whether to accept or reject the offer, and at what point any acceptance should be given, should be aware that the terms of the offer state that, once given, acceptance may not be withdrawn by acceptors unless Lowe Corporation fails to pay acceptors in accordance with the Takeovers Code (see paragraph 1.3 Lowe Corporation Offer). This means that while the offer remains open, shareholders who have accepted the offer cannot accept any other offer that is made and are not entitled to withdraw their acceptances of the offer, whether or not the offer is varied by Lowe Corporation in accordance with the Takeovers Code.

23.4 Unless the offer is extended by Lowe Corporation, shareholders have until 5:00 pm on the 8th of November 2002 to accept the offer.

24. APPROVAL OF BLUE SKY STATEMENT

24.1 The contents of this statement have been approved by the Board of Directors of Blue Sky.

25. INTERPRETATION

25.1 Words and expressions defined in the Takeovers Act or the Takeovers Code and not otherwise defined in this Statement have the same meaning when used in this Statement, and in this Statement:

\$ means New Zealand dollars;

NZSE means the New Zealand Stock Exchange;

Shareholders means the holders of shares which are the subject of the offer by Lowe Corporation.


Takeovers Act means the Takeovers Act 1993; and

Takeovers Code means the Takeovers Code approved by the Takeovers Code Approval Order 2000 (SR 2000/210).

26. CERTIFICATE

26.1 To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by Blue Sky under the Takeovers Code.

SIGNED:



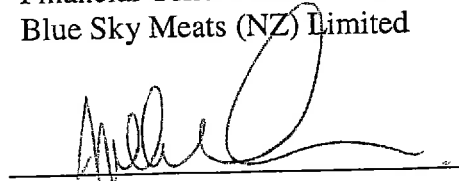
Barry Charles Thomas
Chairman and Director of
Blue Sky Meats (NZ) Limited



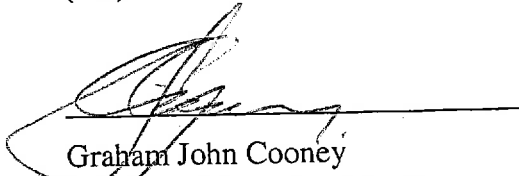
Malcolm John McMillan
Chief Executive Officer, Chief
Financial Officer and Director of
Blue Sky Meats (NZ) Limited



Peter John Carnahan
Director of Blue Sky Meats
(NZ) Limited



James Peter Houlker
Director of Blue Sky Meats
(NZ) Limited



Graham John Cooney
Director of Blue Sky Meats
(NZ) Limited