



7 July 2006

Company Announcements Office
Australian Stock Exchange Limited

By Electronic Lodgment

Dear Sir,

RE: SHAREHOLDER LETTER

We attach a letter from the company's Executive Chairman, Julia King, being forwarded to all shareholders today.

Yours faithfully,

Howard Knapp
Company Secretary

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www.retailcube.com.au

ABN 85 108 096 251



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Dear Shareholder

It is now 6 months since I have taken over the position of Executive Chairman and by coincidence it is also the time when 42,812,500 Retail Cube shares are released from escrow, so it seems appropriate that I should write to you and tell you how the company is performing and the policies and strategies we have put in place to enhance the performance of the business and the value of the shares.

2005/6 has been a disappointing year and we will realise a greater than expected trading loss despite the stellar performance of The Athlete's Foot.

The Athlete's Foot performance has been extremely good with year on year revenue growth in excess of 10%. In a year which general retail sales have been depressed, this is an excellent result.

For King of Knives this has been a year of consolidation and investment. We have invested heavily in systems for financial and stock control. It is unfortunate that sales performance has not been to expectation or to budget during this financial year. Year on year growth for the last 6 months has been around 4% and it is anticipated that this will be augmented in the coming year.

Amazing Paints continues to perform poorly and it is only since the resignation of two senior executives that a strategy for the development of the business has been able to be executed. A new General Manager commenced on 11 June and has already made substantial and positive changes to the business. We are currently looking at all the strategic options and assessing the value of Amazing Paints to Retail Cube's future.

To better optimise the considerable talents we have in Retail Cube we have undergone a strategic change and reorganisation of the business. From 3 July, Michael Hirschowitz and Michael Cooper assume more strategic roles across the group. Michael Cooper will become Director of Group Operations with responsibility for sales, marketing, supply chain, logistics and staff organisation and training. Michael Hirschowitz will become Director of Strategy with responsibility for Finance, IT and the growth and development of the business. Michael Cooper and Michael Hirschowitz have been responsible for building The Athlete's Foot into the success it is today with over \$100 million in turnover. In addition, I have agreed to renew my contract to stay on as Executive Chairman for another term.

This change in organisation and responsibility will result in more efficient use of the Retail Cube resources.

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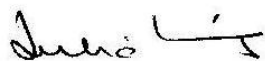
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These changes together with practical, comprehensive objectives now in place for each of our operating diversions, provides us with a platform of renewed optimism and focus and we look forward to a much better 2007.

Yours faithfully



Julia King
Executive Chairman

