



19 October 2006

Company Announcements Office
Australian Stock Exchange Limited

By Electronic Lodgment

Dear Sir,

RE: MEDIA RELEASE – NEW BOARD, NEW CAPITAL AND NEW PLAN

Please see attached media release.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'H. Knapp'.

Howard Knapp
Company Secretary

diversified | specialty | retail

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MEDIA RELEASE

RCG: NEW BOARD, NEW CAPITAL AND NEW PLAN

19 October 2006

Retail Cube Limited (ASX:RCG) today announced the appointment of a new Board of Directors, a recapitalisation to raise approximately \$4 million of new capital and a new growth plan.

Ivan Hammerschlag and David Gordon have been appointed to the Board to spearhead a new growth plan for RCG. Mr Hammerschlag, who takes on the role of Executive Chairman, has had over 25 years of specialist retail experience, including as CEO and shareholder in Freedom Furniture prior to its IPO, growing the business from a small group of stores to a national chain. He has also chaired, managed and invested in a number of other successful retail and other businesses. Mr Gordon, a non-executive director, was formerly a partner of Freehills and is now the principal of Lexicon Partners Pty Limited, a boutique advisory and investment business.

They are joined on the Board by Michael Cooper, an existing executive director, and Michael Hirschowitz, a senior executive of RCG who was also appointed to the Board today. Other Board members Julia King, Bill Bartlett and Peter Thomas resigned today and the new Board expressed its appreciation for their contribution. It is intended that an additional independent non-executive director will be appointed to the Board shortly.

The new Board has the full support of the Company's substantial shareholders.

"Retail Cube has been a sorry tale for all of its shareholders," Mr Hammerschlag said today. "Whilst The Athlete's Foot is an excellent business, King of Knives and Amazing Paints have suffered from poor management and this has put the Company under severe financial pressure."

"It's time for the Company to set a new strategic plan, take some hard decisions that have been avoided in the past, recapitalise the Company, and move forward with proper management and disciplined execution. We believe the new Board has the operational experience and strategic expertise to do just that," he said.

"There is much to be done. The situation with Amazing Paints requires urgent resolution and we expect to announce that resolution shortly."

"We have already identified a number of growth initiatives for The Athlete's Foot and King of Knives and we will begin moving on those immediately."

The recapitalisation, if approved by RCG shareholders, will consist of a private placement and rights issue.

Interests associated with the new Board and Management will subscribe approximately \$1.3 million to take up approximately 14.4 million new fully paid ordinary shares at \$0.09 each, which will represent approximately 14.2% of the issued capital of RCG (including existing shares held by participating Management) after the placement is completed. For each share subscribed, RCG will grant the subscriber 1.7 options each to subscribe for a new fully paid ordinary share in RCG at an exercise price of \$0.12 per share at any time within 5 years from the grant date.

If the placement is approved by RCG shareholders, then following the placement, it is the current intention of RCG to declare a 2 for 7 non-renounceable rights issue entitling all shareholders (including the new shareholders under the placement) to subscribe for 2 new fully paid ordinary shares in RCG at \$0.09 per share for every 7 ordinary shares that they hold. It is currently proposed that the rights issue will be underwritten by a broking firm to be determined.

The new Board intends to use the proceeds received by RCG under the placement and rights issue to implement the strategic plan referred to earlier in this announcement.

RCG will also establish 2 new option plans, a Directors Option Plan (DOP) and an Employee Share Option Plan (ESOP). Messrs Hammerschlag and Gordon have undertaken to reinvest all of the Board fees that they receive over the next 3 years to exercise options they receive under the DOP.

It is also proposed that the Company change its name to RCG Limited.

The recapitalisation, new option arrangements and the change of name of the Company are subject to shareholder approval under the Corporations Act and the ASX Listing Rules. An Information Memorandum detailing all of those matters and including an Independent Experts Report will be despatched to shareholders in November, to be considered at an Extraordinary General Meeting to be called in December.

It is proposed that the Company's Annual General Meeting to be held on Friday 27 October will proceed, with appropriate amendments to the agenda to replace the resolutions relating to the old Board with resolutions seeking confirmation of the appointment of the new directors to the Board. Notice of these amendments and new proxy forms will be despatched to all shareholders in the next few days.

Contact: Ivan Hammerschlag (02) 8595 8704