

THE REJECT SHOP

22 November 2018

Dear Shareholder,

Unsolicited opportunistic takeover offer for The Reject Shop

I am writing to update you on the unsolicited on-market takeover offer received by The Reject Shop Limited (ASX:TRS) (The Reject Shop) from Allensford Pty Ltd as trustee for the Allensford Unit Trust (Allensford or Bidder) on 21 November 2018.

The Allensford takeover offer is for \$2.70 per share (Offer Price) for the ordinary shares of The Reject Shop (Takeover Offer). Allensford owned 2.72% of the issued shares in The Reject Shop at the time of its announcement.

While the Board of The Reject Shop will undertake further work to fully and carefully assess the offer, its preliminary view is that the offer is opportunistic and undervalues the value of your shares based on the historical performance of the company and its future prospects.

Despite making a number of assertions in its Bidder's Statement regarding the challenges facing discretionary retailers, it is clear from the Takeover Offer that Allensford can see the long term potential of The Reject Shop. Further information about the performance, strategy and growth prospects of the company will be contained in The Reject Shop's Target Statement. Accordingly, we urge you to **take no action** in respect of this offer at this time.

The Board continues to believe in the long-term growth prospects of the business, which has remained profitable despite the backdrop of an extremely challenging retail environment. The company remains focused on executing its customer driven strategy and realising the benefits from a range of projects implemented to leverage the infrastructure, brand and assets of The Reject Shop.

What will happen next?

The Board and management will thoroughly review the terms of the Takeover Offer, respond to Allensford and provide guidance to you in due course.

The Board will shortly provide you with a Statement after you receive the Bidder's Statement. Our Statement will contain the Board's recommendation in relation to the Takeover Offer and the reasons for that recommendation, an outline of options available to shareholders and other important information.

The Takeover Offer must remain open until at least 7 January 2019, so shareholders have ample time to make a decision. The Board reiterates that The Reject Shop shareholders should **take no action** in respect of the Takeover Offer.

The Board has appointed Macquarie Capital (Australia) Limited and Herbert Smith Freehills as legal advisers to assist the Board in further assessing and responding to the Takeover Offer.

What should I do?

You should **take no action** in response to the Bidder's Statement and any documentation sent to you by Allensford until you have received the Statement from the Board. You should then consider the Board's recommendation in relation to the Takeover Offer before making a decision.

The Board is working closely with our advisers on evaluating the Takeover Offer.

Yours sincerely,

William Stevens
Independent Non-Executive Chairman
The Reject Shop